

KICKED IN AND KICKED OUT
OF THE
PRESIDENT'S LITTLE CABINET

BY
EWING YOUNG MITCHELL

Former Assistant Secretary of Commerce

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To My Sister

MAUDE BURTON MITCHELL

A rare spirit who meets suffering and misfortune with patience and fortitude and whose great love of truth and justice are a constant inspiration, this book is affectionately dedicated.

KICKED IN AND KICKED OUT OF THE
PRESIDENT'S LITTLE CABINET

FOREWORD

Millions of patriotic men and women have sacrificed their lives on the altar of country in times of war. There come occasions in times of peace when equal sacrifice is demanded of the patriot. Surely, such an occasion is at hand in the United States of America in this year A. D. 1936.

Efforts to circumvent the Constitution by President Roosevelt and his advisers, a serious threat to change the form of government under which this country has grown in the short space of little more than 150 years to be the greatest in the world, the violation by the President of sacred platform pledges which has led to fantastic experiments in government, chaos and confusion in the Nation's affairs, the greatest peace-time debt in the world's history, waste, extravagance, favoritism to private interests, graft, and many indications of official corruption in high places—these conditions and others of serious import call for the maximum of patriotism and sacrifice by all Americans in order that our form of government may be preserved and that normal conditions may be restored throughout the land.

In times like these every citizen who has vital information concerning the affairs of Government, the character and conduct of public officials and those prominent in political life, which is calculated to assist the people in arriving at a proper solution of the country's difficulties, owes a patriotic duty to disclose it no matter how obtained.

I have prepared this book with the hope that the facts it presents may aid in the proper solution of today's problems as well as assist in solving those of the future.

EWING YOUNG MITCHELL.

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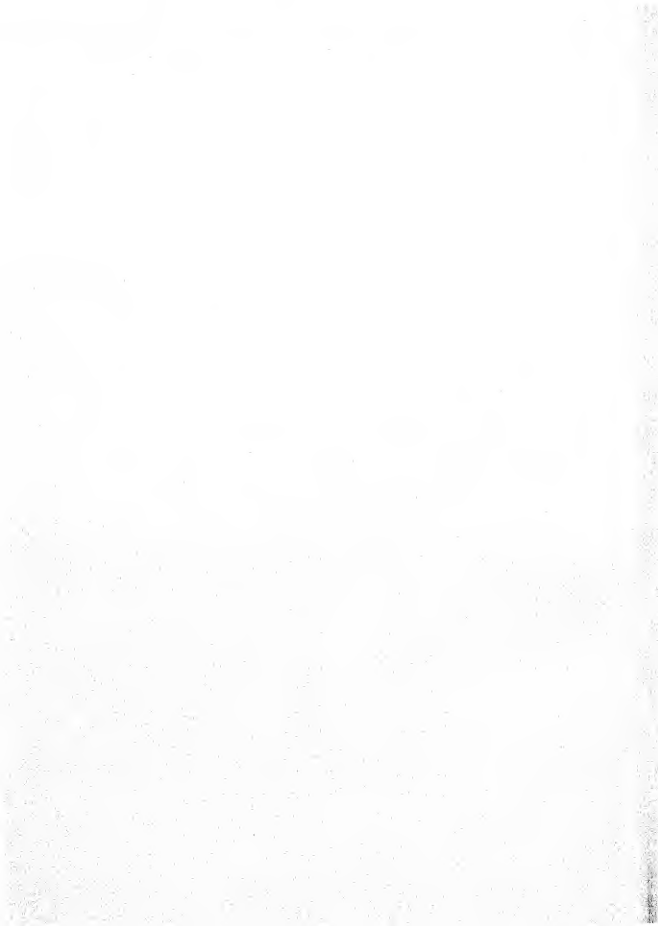
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PART I
KICKED INTO THE PRESIDENT'S
LITTLE CABINET



CHAPTER I

THE SURREPTITIOUS CAMPAIGN FOR ROOSEVELT IN MISSOURI

I had been summoned to New York and was discussing conditions in Missouri with Mr. James A. Farley. "We are very anxious to secure the support of the Missouri delegates for Governor Roosevelt," Mr. Farley said, "but we have promised Senator Reed that we will not oppose him in Missouri or take any action in the State which will be objectionable to him, so whatever is done there must be on a strictly sub-rosa basis."

When pre-convention presidential politics began to stir in the country in the fall of 1931, a Roosevelt-for-President Club was formed in St. Louis. Senator James A. Reed, Missouri's favorite son candidate for President in 1928, desired again to occupy that role in the national convention of 1932. With the announcement of the formation of the Roosevelt Club the Reed following made loud complaint. Responding to this protest the friends of President Roosevelt, who was then Governor of New York, asked that the movement for him in Missouri be abandoned, so the club was disbanded.

Speaking of the abandonment of the club in an interview with the St. Louis Globe-Democrat, Mr. John J. Nangle, who had been slated for its president, said:

"I am sure this represents the views of Governor Roosevelt's friends in New York as Mr. Farley has written to Senator Reed expressing the hope that the Governor's friends refrain from doing anything that might create an issue of personalities."

It was the understanding that Roosevelt would not contest in any State having a favorite son.

The favorite son candidates were Governor Byrd of Virginia, Governor Murray of Oklahoma, Governor White of Ohio, Governor Ritchie of Maryland, and Senator Reed of Missouri. Governor Al Smith was contesting with Roosevelt in New York. Later Mr. William Randolph Hearst projected Speaker John Nance Garner of Texas into the contest.

The power of a combination of favorite sons to wreck the candidacies of leading aspirants was clearly demonstrated in the Democratic National Convention held in New York in 1924. In that convention Governor Al Smith and Senator William Gibbs McAdoo were the leading candidates. Favorite sons tied up the convention for over 100 ballots and finally Honorable John W. Davis, one of their number, received the nomination. The prospect for a favorite son movement in the 1932 convention loomed large.

I had bitterly opposed all of Senator Reed's political ambitions since the middle of the Wilson Administration. Moreover, being a progressive, Roosevelt's announced platform of a large reduction in the expenditures of the National Government, a balanced budget, a general redistribution of the burdens of government, and a thorough housecleaning in Washington, appealed to me. It seemed, too, at that time, on account of his having the same family name as Theodore Roosevelt he would be the most likely candidate to succeed in the election.

Upon learning that the St. Louis Roosevelt Club was being disbanded, I wrote Mr. Frank P. Walsh

it was too bad the Roosevelt movement in Missouri had been stopped because I believed if a fight were made Roosevelt could carry the State. Mr. Walsh was then practicing law in New York but had practiced in Kansas City for many years. We had served together on the Missouri Democratic State Committee, and he had been active for Governor Joseph W. Folk in his campaign for the United States Senate which I had managed. Mr. Walsh had just then been appointed chairman of the New York State Power Authority by Governor Roosevelt and was anxious to make a good showing for the latter in Missouri, his home State.

In response to Mr. Walsh's request I went to New York early in January, 1932, and was introduced to Mr. James A. Farley who was then, as now, generalissimo of the Roosevelt campaign. It was late in the afternoon and Mr. Farley asked me to be prepared next day to give my opinion of the best plan to secure Missouri for Roosevelt.

In order that Mr. Farley might have my plan before him early the next day I sent him a night letter from my hotel reading:

"Upon consideration am of opinion William Igoe of St. Louis would be best person to lead movement in Missouri. If not available suggest meeting of Governor Roosevelt's friends to select leader and form organization plans. If you like I will undertake to get William Igoe, Edward J. White, Mrs. Emily Newell Blair, Edward Goltra, Ewing Cockrell, Wallace Crossley, and perhaps others to unite in calling meeting."

Mr. Farley explained that plan could not be followed on account of the promise made Senator Reed. He showed me the correspondence which had passed be-

tween Governor Roosevelt and Mr. Farley and Senator Reed on the subject. This correspondence consisted of two or three letters written by Mr. Farley and two or three written by Governor Roosevelt and Senator Reed's replies. Mr. Farley said any campaign carried on in Missouri must be done strictly on the quiet, without the aid of committees, publicity, or the usual activities of a campaign for President. He asked me to return to Missouri and see what I could do on that basis.

From that time until the meeting of the state convention in St. Louis on March 28th, I was busy organizing for Roosevelt. There was not a ripple on the political waters indicating Senator Reed had any opposition. I made liberal use of the telephone and mails and avoided all newspaper publicity. None of my activities became public, so far as I know, and if the Reed forces learned of my letter-writing and telephone campaign they probably discounted it under the impression that it was just another of my outbreaks against Senator Reed's political ambitions. Of course, they had not the slightest idea I was working under Mr. Farley's directions.

Mr. Walsh knew of the long standing enmity between Senator Reed and me and probably considered my activities would attract much less attention on that account.

Prior to the meeting of the state convention I was in constant touch with Mr. Farley. During that period I sent him copies of all the correspondence I had with the leaders who were working with me in organizing the State for Governor Roosevelt. In this period of about 65 days I received 38 letters and telegrams and

several telephone messages from Mr. Farley. These letters throw much light upon the campaign I conducted.

By the time the state convention met I had organized active support for Roosevelt in 85 of the 114 counties of the State. In each of these counties there was at least one man or one woman actively at work to secure as many Roosevelt delegates as possible from the respective counties to the state convention.

A few days after my return to Missouri, on January 28th, I wrote Mr. Farley a comprehensive letter on the situation and repeated some information concerning Senator Reed's attitude toward Governor Roosevelt. It was reported Senator Reed had said of Governor Roosevelt, "He is an idealist with no practical views concerning national issues," and that he was opposed to Governor Roosevelt's nomination.

In reply Mr. Farley wrote:

"Your very interesting letter of January 28th received. I note what you had to say regarding your visit with Curtis Betts, Governor Gardner and others mentioned. You are on the right track and I am satisfied that in your own way you will be able to get together a set of delegates, who, while they might be for Reed in the first ballot will go to Roosevelt just as soon as the opportunity presents itself. I am sure, with your full knowledge of the local situation, that you will be able to take care of it in a way that will be dissatisfactory to Reed and will be helpful to Governor Roosevelt.

"Your letter of the 28th ult., was so interesting that I sent a copy to the Governor because I want him to read it."

(A facsimile of this letter appears on page 8)

DEMOCRATIC STATE COMMITTEE

331 MADISON AVENUE

NEW YORK CITY

JAMES A. FARLEY
CHAIRMAN

February 5th, 1932

Mr. E. Y. Mitchell
Morris Building
Joliet, Illinois

Dear Mr. Mitchell:

Your very interesting letter of January 28th received. I note what you had to say regarding your visit with Curtis Betts, Governor Gardner and others mentioned. You are on the right track and I am satisfied that in your own way you will be able to get together a set of delegates, who, while they might be for Reed in the first ballot will go to Roosevelt just as soon as the opportunity presents itself. I am sure, with your full knowledge of the local situation, that you will be able to take care of it in a way that will be dissatisfactory to Reed and will be helpful to Governor Roosevelt.

Your letter of the 28th ult., was so interesting that I sent a copy to the Governor because I want him to read it.

Anticipating a visit from you, I am

Sincerely yours,

JAF:MC

Under date of February 15th, Governor Roosevelt wrote me:

"Jim Farley has just shown me your interesting letter of January 28th covering the Missouri situation. I am inclined to think the events of the past week have not hurt but have, on the other hand, tended to solidify and consolidate our forces."

At that time Mr. Frank P. Walsh wrote me:

"I am returning to you herewith carbon copies of letters transmitted in yours of the 28th, as requested. They are both exceedingly interesting and the information quite in line with what I expected.

"It was no idle flattery when I told the folks here that you were the man above all others in Missouri to take the situation in hand."

Between February 15th and March 1st, Mr. Farley wrote me as follows:

"Thank you for your letter of the 13th instant. I read with interest what you had to say relative to Wallace Crossley, William Hirth, Howard Cook, R. P. Spencer, James P. Aylward and Barney Reilly. It was most interesting.

"I also read copies of letters you wrote to the different individuals and also letters which you received.

"I am going to be in Chicago on Thursday and Friday and will be at the LaSalle Hotel. If you get a chance, telephone me there as I would not know where to locate you.

"Everything is working out all right. Governor Smith's announcement is, I am certain, reacting to Governor Roosevelt's advantage."

* * * * *

"Thanks for your letter of the 25th ultimo with enclosures. I read them all with a great deal of interest.

"You certainly are doing a real job in your state. By the time you are finished you will have as good an outline on the situation as anyone I know.

"I was interested in reading what you had to say regarding your talk with Judge Mayer."

* * * * *

"This will acknowledge receipt of your kind letter of February 27th enclosing clipping from the St. Louis Globe-Democrat and one from a Washington, D. C. paper. They refer to Senator Reed's visit and to Speaker Garner, etc.

"I note your reference to the fact that Reed thinks he has an excellent chance in Chicago. It is funny how they get that way. It seems every candidate for the presidency feels the same way about it. However, he should have sense enough to realize that it is unusual to nominate a man of his years for president.

"You certainly have your finger on the pulse out there and know just what is going on in your state."

* * * * *

"This will acknowledge receipt of your wire to which I replied as follows:

"Your night letter received Will try to carry out suggestion you offer"

"I quite agree with you that the thing for us to do is to keep the congressmen from exerting any pressure in the election of delegates. From all the information I can gather from your state, personally I am confident that we will not have very much difficulty in getting the delegation away from Senator Reed, after a ballot or two, if that is necessary. I cannot tell you in this communication why I am so positive, but the next time I see you I will tell you what is on my mind."

* * * * *

In a telephone conversation with Mr. Farley soon after receipt of the last letter I learned the thing on his mind that he could not write about was that he expected to get the support of Boss Pendergast for Governor Roosevelt. I told him it was foolish to expect this to happen, that Pendergast was a hard-boiled political boss and like every other politician of his type was

interested primarily in the money to be made out of politics, that no one ever heard of a city boss who favored reduction of public expenditures or who cared anything about balancing the budget, issues which Governor Roosevelt was giving much prominence among the things he advocated; moreover, Pendergast had been working for years hand-in-glove with the public utilities of Kansas City and Governor Roosevelt was supposed to be against the utilities. In other words, considering Governor Roosevelt from the standpoint of the things he then advocated there was nothing in common between him and Pendergast. However, Mr. Farley continued to reiterate the opinion that Pendergast would be all right. As a matter of fact, Pendergast opposed Roosevelt at the state convention and also through the national convention until the last ballot when it was certain Roosevelt would be nominated.

Between February 16 and March 19, Mr. Walsh wrote me as follows:

"Yours of the 13th, enclosing copies of letters, and newspaper clipping, duly received. There has certainly been no diminution in your unparalleled energy."

* * * * *

"Yours of the 18th received. I will be glad to look after your suggestion as to the late convention date. I will take it up with our Missouri friend in Washington when I go there, which will be either Tuesday or Wednesday, next.

"In a talk with Farley over the telephone yesterday he told me that you were the wisest bird he had met in the whole campaign. More power to you."

* * * * *

"Yours of the 7th, enclosing tabulation, and copy of your letter to Farley, received. That is a marvelous idea. I agree with

you that the tabulation outargues all other arguments; and, to the average Democrat, is more eloquent than all of the orations."

* * * * *

"If you are correct on your facts, the employment by Garner of his wife will be enough to defeat him. It is so cheap. That was one of the big points that the Democrats had against Congressman Ellis in Joe Shannon's campaign against him, i.e., that his wife had acted as his secretary.

"Also, in convention after convention, state and local in Missouri, Shannon introduced a resolution denouncing nepotism. I recall its form:

"Resolved, that the nomination of any man for office in this convention will be deemed a recognition of his entire family, and his wife's family."

"I am immensely interested in what you are doing."

* * * * *

"Copy of correspondence with Governor and Chairman Farley duly received. Please accept my thanks.

"The way you have covered ground in Missouri is simply marvelous. That's all!"

* * * * *

Between March 14 and 24, Mr. Farley wrote me as follows:

"Thank you most sincerely for your kind letter of the eighth enclosing correspondence concerning the movement for Governor Roosevelt in Missouri. You have certainly handled it in fine shape, and I am satisfied the result of your efforts will make it easier for us to do the thing we want to accomplish in Missouri. I only wish we had someone in every state who could do the job as well."

* * * * *

"This will acknowledge receipt of your wire of the 14th. I discussed it with you regarding your local situation, over the telephone and I was very glad to have been able to talk to you."

* * * * *

"Just a line to thank you for the copy of the Missouri Farmer which you sent me a few days ago, and which you mailed out to about 4,000 persons around your State. It should be of great help to us, and you certainly are doing a real job."

* * * * *

"I have before me yours of the 16th instant to which you attach copy of letter you wrote to the Governor.

"With your letter you attach list giving names and addresses of some of the active members in the state, to whom you suggest that the Governor write a letter of appreciation. Inasmuch as the Governor a long time ago wrote Senator Reed and told him that he would not become active in Missouri, I question the advisability of the Governor's writing any letters into Missouri at the present time. That is merely a matter of opinion, but why not let it rest until after the convention on the 29th."

* * * * *

"I am very grateful to you for your kind letter of the 21st instant enclosing file of correspondence which you had concerning the movement for Governor Roosevelt in Missouri.

"You certainly are doing a real job and I am sure the result of your efforts will be reflected in action that will be taken at the convention."

* * * * *

Senator Reed and Tom Pendergast, the political overlord of Kansas City, had been close friends and political associates for 35 years. Both had strong following in the State, but, being unaware of the Roosevelt opposition, paid little attention to securing the selection of Reed delegates. Jackson County, including Kansas City, had 429 delegates which Pendergast held in the hollow of his hand.

When the state convention met the Reed forces were surprised to find an organized effort for Roosevelt. They favored an instruction binding the delegates to vote as a unit for Reed's nomination in the national

convention until he released them. For years the Missouri delegates to Democratic National Conventions had been bound by the unit rule, which means that a bare majority of the delegates could cast the whole vote of the State regardless of the wishes of the minority. The Roosevelt forces had a slight majority in the committee on resolutions but the Reed-Pendergast faction was so intent upon securing a unit rule instruction for Reed that the committee wrangled over the Reed resolution for six hours while more than 3,000 delegates waited for its report.

The resolution finally adopted by the committee and the convention simply instructed the delegates to, the national convention to use all honorable means to secure Reed's nomination. This was taken to mean that each delegate was bound only so long as he thought Reed had a chance for the nomination, and it was the opinion of the Roosevelt delegates that Reed had no chance to secure it.

The failure of the convention to instruct the delegates to vote as a unit for Reed's nomination until released by him was a heavy blow to the Reed candidacy and a great advantage to Roosevelt.

I wired the result of the convention to Governor Roosevelt, Mr. Farley and Mr. Walsh and received the following letters in acknowledgment.

A facsimile of letter from Governor Roosevelt appears on opposite page.



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY

FRANKLIN D. ROOSEVELT
GOVERNOR

April 12, 1932.

Mr. E. Y. Mitchell,
Hotel Jefferson,
St. Louis, Mo.

Dear Mr. Mitchell:

Just a line to thank you most
sincerely for your kind wire of March
29th.

I am sure that the situation
in your state will have clarified it-
self by the time the delegation reaches
the convention city and that everything
will be entirely satisfactory.

Jim Farley has told me of the
work you have been doing and I am indeed
grateful to you.

Sincerely yours,

A handwritten signature in cursive script, reading "Franklin D. Roosevelt".

From Mr. Farley:

"I am in receipt of your wire of March 28th. I have been out of the state practically all the time since you wired me, most of the time in the middle west.

"I have had reports from other people about the convention and I am sure that by the time we go to Chicago, everything will have worked out all right. Please keep me advised of any new developments."

* * * * *

On March 16th, as indicated in Mr. Farley's letter to me, I had sent a list of Missouri Democrats who were active in his behalf to Governor Roosevelt and suggested that he write them a letter of appreciation. Mr. Farley wrote that on account of the Governor's promise to Senator Reed he thought these letters should not be sent until after the adjournment of the state convention. The late Louis McHenry Howe, then personal secretary to Governor Roosevelt and after he became President his private secretary, was of the same opinion. On March 28th, the date of the state convention, he wrote me:

"I appreciate the trouble you have taken in the matter of lists for circulars in Missouri. For reasons which I hope to be able to explain some time personally to you, it was not advisable to send any of this literature in advance of the state convention.

"After that time we are all agreed that it would be excellent to forward very special circulars from time to time, which we will not fail to do."

Following the adjournment of the state convention Governor Roosevelt sent letters of appreciation to more than 50 persons whose names appeared upon the list I

had sent him. These letters, coming from the leading candidate for President, did much to strengthen the morale of those delegates inclined to be for Roosevelt. The Reed-Pendergast forces were putting tremendous pressure upon them.

During the period between the state convention and the national convention I continued my efforts to line up the Missouri delegates for Governor Roosevelt. During this time I had 28 letters and telegrams from Mr. Farley. Two of them are given here to illustrate the great importance he placed upon securing the vote of the Missouri delegates. He urged that the friendliness of the Missouri delegates to Roosevelt be given publicity in Chicago before the opening of the convention. He also urged that Reed be abandoned immediately after a complimentary vote. It will be observed he said, "*if we can convince the folks from Missouri that that is the thing to do—well, the argument is ended.*" The letter follows:

"Just a line to thank you for your kind letter of June 1st in reply to mine of May 27th.

"I am glad you agree with me that it is quite essential that Missouri should change on the first ballot, after having delivered the complimentary vote to Senator Reed. A lot of good constructive work can be done with the Missouri delegation getting them to see our point of view. If we can have it indicated around the convention, even before it opens, that Missouri is going to switch to Governor Roosevelt after they have given the complimentary vote to Senator Reed, it will settle a lot of problems."

*

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*

"I read your letter of the 23rd, relative to the Reed Dinner, and to which you attached copies of correspondence concerning

it, with a great deal of interest. I also read the newspaper article also attached.

"The thing we want to work for is to try to get your State's delegation in the frame of mind wherein they would be willing to support the Governor on the first ballot because we must make certain of his nomination on that ballot. We must not under any circumstances pass the first ballot. If we can convince the folks from Missouri that that is the thing to do—well, the argument is ended.

"You have certainly put over a real job in getting the sentiment crystallized for the Governor, and you have handled everything perfectly. It is hardly necessary for me to say that we are grateful—we are, and far beyond my power of expression."

Another letter referred to prospective candidates for Vice President:

"What is your thought on the Vice Presidency? Many names have been suggested, including former Governor Byrd of Virginia, Senator Cordell Hull of Tennessee, Speaker Garner, Senator Bulkley of Ohio, Governor Dern of Utah and former Governor Adams of Colorado. I would be glad to have a confidential expression from you on the subject.

"Note your reference to the article Mr. Hirth is writing and I am looking forward to a copy of it for I know it will be good.

"For your information, I expect to go to Chicago before the end of next week."

All expenses of the Missouri campaign amounting to \$1,100 were paid from my personal funds. Mr. Farley said after the convention I would be reimbursed but to date no part of the amount has been paid.

The "Stop Roosevelt" movement was in full swing before the national convention convened. It was apparent Roosevelt could not be nominated unless the century-old rule requiring two-thirds majority were

abrogated, or he could secure support from favorite son States. It seemed the favorite sons were determined to prevent his nomination so Mr. Farley started a movement to abolish the rule. The Roosevelt forces had a clear majority of the convention but some delegates from the South made such strong protests against the proposed change the movement was called off.

Mr. Farley very gladly made terms with Senator Huey Long whose Louisiana delegation was contested, and lined up his forces on the credentials committee and in the convention for Long's delegation. This gave Long an easy victory and his delegation voted for Roosevelt on every ballot.

Mr. William Randolph Hearst, sponsor of the boom for Speaker John Nance Garner, supported a Garner ticket in California with his newspapers in his usual vigorous style. In a three-cornered race in the primary between Roosevelt, Garner and Al Smith, Garner carried California defeating Roosevelt by more than 45,000 votes. This gave Mr. Hearst and Senator McAdoo, who assisted in the Garner movement, control of the California delegation. Garner secured the support of Texas, his home State, without a contest but did not enter the primaries in any other State. California and Texas together had 90 votes in the convention.

When I arrived in Chicago I found Mr. Farley still harboring the belief that Boss Pendergast was for Roosevelt. At the first meeting of the Missouri delegation Pendergast threatened to assault a delegate from St. Louis who had expressed preference for Roosevelt and chased him from the room. Pender-

gast stated to the delegates, "I have just one speech to make. *I am for Senator Reed for 100 ballots or 100 years.*"

Mr. Farley being convinced that Roosevelt could not be nominated on the first ballot, requested that some of the Roosevelt votes in the Missouri delegation be held in reserve to be cast on succeeding ballots. After the State's full 36 votes had been cast for Reed on the first ballot, but before the result of the ballot was announced, 12 changed to Roosevelt, so that on the first ballot the vote of Missouri stood Reed 24, Roosevelt 12.

There were 1,154 votes in the convention, 770 being necessary to a choice. On the first ballot Roosevelt received $666\frac{1}{4}$, the opposition $487\frac{3}{4}$. On the second ballot, although Mr. Farley put forth most strenuous efforts, Roosevelt was able to gain only $11\frac{1}{2}$ votes, *6 of which came from Missouri*; the vote for Roosevelt on that ballot was $677\frac{3}{4}$.

On the third ballot Roosevelt gained only 5 votes and $2\frac{1}{2}$ *of these came from Missouri*. The third ballot was taken at the end of an all-night session. Dissension had arisen in the Iowa, Minnesota and Michigan delegations, which were voting for Roosevelt under the unit rule, causing much apprehension among Roosevelt supporters. As the roll call proceeded Mr. Farley stood on the platform, perspiration standing out on his forehead in great beads, with a pencil and paper in hand recording the changes in the vote. I approached him and he said, "How many more votes can we get from Missouri?" I replied, "We can get all of them

if Pendergast is for Roosevelt—how is Pendergast?" He said, "Damned if I know!"

Senator Reed is no shrinking violet and knows as much about the essentials of a political battle, whether it be that waged from the rostrum or the rough and tumble variety, as any man. He and Pendergast had their storm troops and trench fighters, consisting of both men and women, in Chicago in large number. They assaulted the Roosevelt forces in the Missouri delegation from every angle, the Reed women denouncing the Roosevelt women as traitors and warning them their treachery would never be forgotten or forgiven. One of the leaders among the Reed women was Mrs. Jewell Swofford, who was then secretary of the Pendergast-controlled State Committee. While several Missourians who actively supported the President's cause in our State against Reed waited—and some still continue to wait—for positions under the New Deal, Mrs. Swofford was the first Missourian given an appointment by Roosevelt after he became President. She was appointed a member of the U. S. Employees' Compensation Commission with a salary of \$8,000 a year.

Roosevelt received $682\frac{3}{4}$ votes on the third ballot, leaving him $87\frac{1}{4}$ votes short of the nomination.

Immediately after the announcement of the third ballot at nine o'clock in the morning, the convention adjourned until 8:30 that night. The Missouri delegation then held a caucus and agreed to vote on the fourth ballot $28\frac{1}{2}$ for Roosevelt and $7\frac{1}{2}$ for Reed, the Reed-Pendergast contingent still holding out. The only favorite son votes Roosevelt had received up to

this time were $20\frac{1}{2}$ from Missouri and $2\frac{1}{2}$ from Ohio.

During the adjournment the Roosevelt forces made an agreement with the Garner forces that California and Texas would vote for Roosevelt for President and the Roosevelt forces would support Garner for Vice President, and that Senator McAdoo would be consulted about the appointment of Cabinet members. The Senator was responsible for the appointment of Daniel C. Roper as Secretary of Commerce.

Roosevelt needed $87\frac{1}{4}$ votes. The 90 votes of California and Texas were just sufficient to put him across. There is no doubt California never would have voted for Roosevelt without Mr. Hearst's consent. It is very unlikely Texas would have done so either without his consent. So, it can be fairly said that William Randolph Hearst furnished the votes to nominate both Roosevelt and Garner.

When it was learned that California and Texas would vote for Roosevelt many favorite son delegations jumped on the band wagon with great alacrity. However, the Smith element held out until the last. The solid delegations of Connecticut, Massachusetts, New Jersey and Rhode Island, 63 votes in New York and $33\frac{1}{2}$ votes in other States—a total of $190\frac{1}{2}$ votes were cast for Smith on the last ballot.

We did much better in Missouri for Roosevelt than was done for him in his own home State of New York. On the third and crucial ballot the vote in Missouri was $20\frac{1}{2}$ for Roosevelt, $15\frac{1}{2}$ for Reed; in New York 31 for Roosevelt, 63 for Smith. At this time Roosevelt had a reserve strength of 8 votes in Missouri, but none in New York. The Pendergast contingent in the Mis-

souri delegation was among those who clambered aboard the band wagon and voted for Roosevelt on the last ballot.

Senator Reed was the only favorite son who addressed the convention in behalf of Roosevelt after his nomination. Governors Byrd, White, Murray, and Ritchie, all of whom with Governor Roosevelt had been attending the annual conferences of Governors, were present in the convention but none had anything to say in his behalf. Governor Al Smith was en route to New York, and Speaker Garner was in Texas running for re-election to Congress. The latter developed in that campaign a type of sportsmanship hitherto unknown in American politics. Although he had been nominated for Vice President, the second highest office in the gift of the people and only one life removed from the Presidency, he was unwilling to cast his lot with the great Democratic party which had nominated him and accept the fortunes of war but continued to run for re-election to Congress. He was elected to both Congress and the Vice Presidency at the same time.

Senator Reed in his address to the convention said, in part:

"What we need today is some common sense in government, for an honest and fair enforcement of the law, for the protection of the rights of the people. We need that, but we do not need paternalism. The people of the United States do not need to sacrifice individualism upon the false altar and to the false god of paternalism. (Applause.) What we need is to go back to the old principles and to recognize the fact that you cannot make a people rich and that you cannot revive business by taxing every

man to death and squandering the money on public buildings and things of that kind. (Applause.)

"What we want is to recognize that government cannot take care of the people, that the people must take care of government. (Applause.) What we want to do is to recognize that you have no right to tax one man, take his money for the purpose of—by direction or indirection—putting it into the pockets of the others. When we get to that, confidence will begin to come and prosperity will begin to come, but when prosperity comes it will not come from the Federal Government; it will come when it comes from the people, from the grass roots where it always must come." (Applause.)

Governor Roosevelt flew to Chicago to make his acceptance speech to the convention. He said, in part:

"That admirable document, the platform which you have adopted, is clear. *I accept it one hundred per cent.* And you can accept my pledge that I will leave no doubt or ambiguity on where I stand on any question of moment in this campaign." (Applause.)

That the President in many respects has failed to live up to his pledge to support the platform is well known. Particularly has he failed to enforce those planks which promised a reduction of expenses by at least twenty-five per cent and a balanced budget.

An appraisal of all the circumstances surrounding the nomination of President Roosevelt leads to the conclusion that without the support he received from Missouri he might not have been nominated.

Mr. Frank R. Kent, the distinguished columnist, said in his column "The Great Game of Politics" on July 16th, last:

"But for Huey Long's support in the Chicago convention Mr. Roosevelt could hardly have been nominated."

Long's support consisted of Louisiana's 20 votes. Missouri gave the President $20\frac{1}{2}$ votes.

Jim Farley admittedly is one of the most adroit political organizers this country has produced. His evaluation of the importance of Missouri's support is clearly shown by his letters. He indicated the supreme necessity of the support of our State when he expressed the opinion that if it could be secured—"well, the argument is ended."

Mr. Farley knew better than anyone the tremendous fight being waged throughout the country by the elements opposing the President's nomination. During the convention the delegates who were supporting Roosevelt, and particularly those from Missouri, were deluged with thousands of telegrams urging them to desert him. Mr. Farley knew that not only would all the votes secured from Missouri be dreadfully needed but the psychological effect of breaking into the combination of favorite sons would be very telling.

If Reed had obtained the instruction he desired in the state convention he could, and no doubt would, have prevented any of Missouri's 36 votes being cast for Roosevelt. The continuous loss of votes by Reed on each succeeding ballot had a very important psychological effect upon the Roosevelt forces as well as upon the favorite son forces. Prior to the last ballot the only other favorite son votes cast for Roosevelt were $2\frac{1}{2}$ from Ohio.

Without support from Missouri, Roosevelt's gain on the second ballot would have been only $5\frac{1}{2}$ votes, and on the third ballot only $2\frac{1}{2}$. After the second ballot Reed's friends, continuing their pressure upon

the Missouri Roosevelt delegates, urged that he be given the State's solid vote on the third ballot saying if this were done and the delegation would remain loyal, assurances had been given the Senator the full strength of Smith, Garner and Murray would come to him. This would have given Reed 342 votes and left 145 favorite son votes still to draw upon, with the hope of eventually breaking into Roosevelt's strength. Half of Governor Murray's support, 11 votes, was cast for Reed on the third ballot notwithstanding the Missouri Roosevelt contingent refused to support him. If Missouri's entire vote had been given to Reed on the third ballot, the crucial ballot, it would have reduced Roosevelt's total of $682\frac{3}{4}$ by $20\frac{1}{2}$ votes leaving it at $662\frac{1}{4}$, *or 4 votes less than he received on the first ballot.* A leading candidate who fails to gain support on succeeding ballots occupies a very dangerous position.

Without Missouri's $20\frac{1}{2}$ votes on the third ballot Roosevelt would have required $107\frac{3}{4}$ votes to secure the nomination instead of $87\frac{1}{4}$, and even the 90 votes from California and Texas would have been insufficient to nominate him.

As a matter of fact the only heroic part in the whole Democratic National Convention of 1932 was played by Missouri.

CHAPTER II

THE ELECTION CAMPAIGN FOR ROOSEVELT IN MISSOURI

There had not been a Democratic landslide in a presidential election since the Civil War. True, Wilson had a large majority in the Electoral College in 1912 when the Republican vote was divided between Theodore Roosevelt and Taft, but in that year the combined Republican popular vote was a million in excess of the vote received by Wilson. So, in August of 1932, Democrats could not be sure Roosevelt would even be elected, much less by landslide proportions.

Because of lack of funds that year the Democratic National Committee did not establish regional headquarters in different sections of the country as is usually done, but conducted the campaign from national headquarters in New York, leaving organization of the States to the respective state committees and the Roosevelt Business and Professional League. Mr. Jesse Isidor Straus of New York, president of the great Macy Stores company and later Ambassador to France by appointment of President Roosevelt, was responsible for the organization of the Roosevelt League and was its president. It had functioned to an extent during the pre-convention period.

After Roosevelt's nomination Mr. Straus asked me to act as chairman for Missouri of the Roosevelt Business and Professional League. I had never met Mr. Straus and this offer came to me without any solicitation on my part. I assume he was favorably impressed by

the part I had played in the primary fight in Missouri. On account of that fight and because of my long-standing dispute with Senator Reed I did not consider I was the proper person to act as state chairman of the League. I called on Mr. William T. Kemper, then a member for Missouri of the Democratic National Committee, and urged upon him the advisability of the appointment of Mr. C. W. Greenwade of Springfield, who just then was retiring from the chairmanship of the state committee, or Col. Martin J. Collins, prominent Democrat and business man of St. Louis, in my stead. Mr. Kemper insisted that I take the position. At my suggestion Col. Collins was made a national vice president of the League. Mr. Langdon W. Post of New York, a representative of national headquarters of the League, who was making a swing around the country calling on state chairmen, was present in Kansas City during my conversation with Mr. Kemper.

Mr. Post was making his trip by airplane and he offered to fly me to St. Louis. The craft was a beautiful little biplane highly decorated and with the name of the "Roosevelt Business and Professional League" inscribed upon it. It was a bright day with not a cloud in the sky as we left Kansas City. I asked the pilot if he intended to follow the Missouri River, the railroads or the highway to St. Louis. He said he would fly by the compass. In a short time I observed we were getting off our course and repeatedly warned the pilot we were heading into the Ozark Mountain section of South Missouri. He continued right along, however, until we came over the town of Mountain View, Missouri, which is in the heart of the Ozarks and about

25 miles from the Arkansas line. It happened the name of the town was painted in large letters on the roof of a building. I finally convinced the pilot of the true location of Mountain View and that we were not within 25 miles of St. Louis as he had thought.

We then turned north and when on the outskirts of Farmington, about 70 miles from St. Louis, we ran out of gas, landed in a field, the running gear was torn from the plane, it turned completely upside down and was badly wrecked. The plane had accommodations for four persons. The pilot and Mr. Post sat in front while I sat in the rear seat. When I entered the plane in Kansas City the pilot said it was not necessary for me to use the belt so when the plane turned over I was thrown on top of the others. Our traveling bags were tossed about. As I climbed out I found my back was wet. I asked a bystander to see if my back were bleeding. He said, "There is no blood. The Lord certainly was looking after you—the fire extinguisher emptied all over you!" As we were entirely out of gasoline there was no fire. Mr. Post and the pilot were somewhat cut from flying glass. I did not receive a scratch. It was my first airplane trip.

As soon as the plane crashed a crowd gathered about. Mr. Post told the pilot to hurry to Farmington and get some paint remover so we could take the name "Roosevelt" off the plane and thereby keep the accident out of the newspapers. I told Mr. Post it was useless to remove the name since I felt quite sure at least a half dozen Republicans were then on their way to the office of the Republican editor in Farmington to give him the news. It turned out just that way for

when we reached St. Louis a few hours later all the newspapers had an account of the crash of the Roosevelt plane.

I opened headquarters for the Roosevelt Business and Professional League in the Jefferson Hotel in St. Louis. The League had no funds so Col. Collins and I advanced the money necessary to carry on its operations in Missouri. The League's plan for raising money was to sell memberships at \$2.00 each and we were supposed to reimburse ourselves from the Missouri membership sales. However, this result was not obtained and Col. Collins and I finished the campaign in the red.

President Hoover had carried Missouri by a majority of 171,000 in 1928. Before election day in 1932 arrived it was apparent the Democratic ticket would carry Missouri by a wide margin. The result of the election gave Roosevelt 460,000 majority over Hoover, making a change in the State of 631,000 votes in four years. Missouri was one of six States to cast more than a million votes for the President, the others being California, Illinois, New York, Ohio and Pennsylvania.

After the election Mr. Jesse Isidor Straus in a letter concerning my part in the campaign said, "He did more for the Roosevelt cause than any other state chairman."

CHAPTER III

KICKED INTO THE POSITION OF ASSISTANT SECRETARY OF COMMERCE

I applied for a position in the diplomatic corps in Europe, preferably Ambassador to Belgium or Spain. Mr. Farley assured me repeatedly that I would be taken care of, was No. 1 on the Missouri list and would be the first from the State to receive an appointment under the New Deal.

Although I had been active in politics in Missouri for 25 years I had not, during that time, been a candidate or an applicant for, or a recipient of a political office. Three governors had tendered me appointments which I declined. Nor had I represented any public utility before city councils or the legislature. Many lawyers build up an influence in politics as a stepping stone to employment by public utilities.

While I waited in Washington most of the diplomatic posts in Europe were disposed of. Mr. Farley continued his assurance my appointment would be forthcoming but in the meantime Mrs. Jewell Swofford had been given her position, Mr. Breckenridge Long, although a resident of Maryland for several years, was appointed Ambassador to Italy and charged to Missouri, and other Missourians were given places. Mr. Long's contribution consisted of a large sum of money given to Roosevelt's pre-convention campaign.

Generally, applicants for positions under the New Deal were required to obtain endorsements of the Democratic leaders in their respective States. Mr.

Farley said I did not need such endorsements but I secured them anyway from practically every Democrat of importance in Missouri except Boss Pendergast, Senator Reed and their immediate circle of friends.

After waiting in Washington for more than three months, I decided to withdraw my application and return to Missouri. It was then that I had a call from Secretary of Commerce Daniel C. Roper who asked me to accept the position of Assistant Secretary of Commerce. I was surprised when the President appointed Mr. Roper, a Washington lawyer, Secretary of Commerce. For the same reason I was surprised when I was tendered the position of Assistant Secretary. I explained to Secretary Roper that I was a lawyer with very little experience in commercial matters, felt that I had scant qualifications and asked why he desired me for the place. He replied, "You have integrity, intelligence, industry, loyalty, and ability to meet public men." Of course, I assumed when the Secretary spoke of "loyalty" he referred to loyalty in the discharge of public duties and to the Government's interest.

I declined the appointment three times.

After my appointment I had occasion to put into a written memorandum, addressed to Secretary Roper, conditions surrounding my appointment. Later this memorandum was presented to the Senate Committee on Commerce, which investigated my charges of irregularities in the Department of Commerce, and appears on page 135 of the printed record of the Committee's public hearings, held June 19, 20, and 21, 1935.

The form of communication employed between officials of the Government is by means of memorandum

and not by formal letter. In order that the conditions of my appointment may be clearly understood, the following is quoted from the memorandum above referred to:

November 20, 1934.

"Memorandum:

"To: Daniel C. Roper, Secretary of Commerce.

"From: Ewing Y. Mitchell, Assistant Secretary.

"Subject: Criticisms of things done and things left undone in the Department of Commerce since the incoming of the New Deal.

"Recently I stated to you criticisms of things done and things left undone in the Department of Commerce since the incoming of the New Deal, and especially in the bureaus which have been under my jurisdiction. You asked me to set forth in writing the criticisms which I had voiced to you. This I now will proceed to do.

"Conditions Surrounding My Appointment

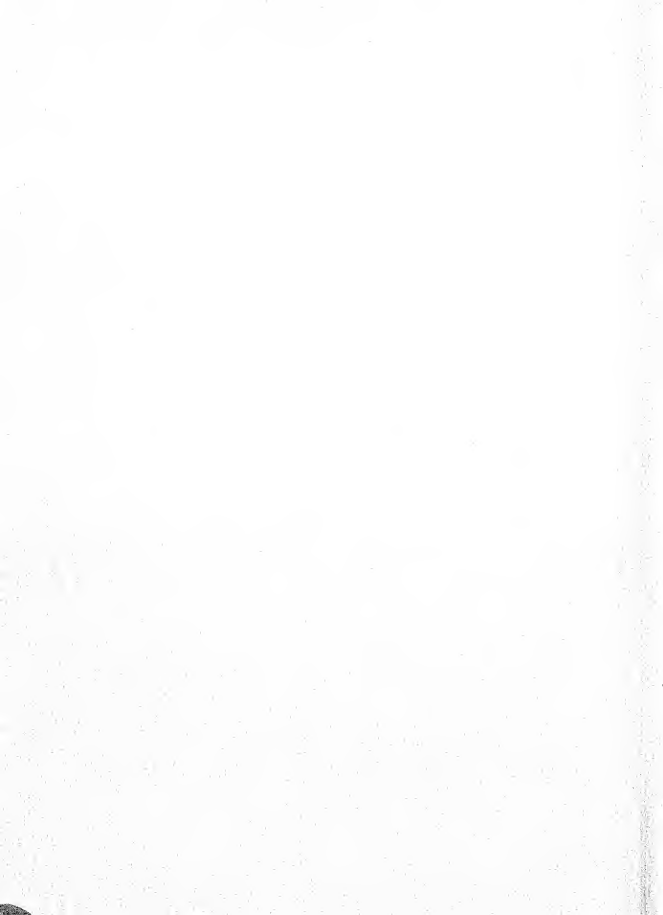
"Before taking up these criticisms I think it important and fitting that I recall the circumstances surrounding my appointment as Assistant Secretary of Commerce, which occurred June 21, 1933. As you know I was not an applicant for the position and I had no thought of applying for it. You very considerably tendered me the appointment. In our first conversation on the subject I told you that I would not accept the place but you asked me to think it over for two days which I did and again told you that I would not accept the position. You urged me to do so and asked me to consider the subject until the next day and give you my answer. Upon calling at your office on the following day I found present your personal staff consisting of Assistant Secretary John Dickinson, Solicitor South Trimble, Jr., the Administrative Assistant Malcolm Kerlin, and your personal secretary, Miss Margie G. Renn. They proceeded to congratulate me on my approaching appointment as Assistant Secretary. I asked them to withdraw so that I might speak to you privately and I then told you that I could not accept the

place. You stated that it was the President's intention to appoint me within the hour. I still insisted that I could not accept the place. You then removed your glasses, raised your voice and said: 'This country is at war, your services are being drafted and if you are going to be a slacker and take to the tall timber you are not the man I thought you were.' I then said: 'All right, under those conditions I will accept the position, but I warn you that I am not the man you want and I will get you into trouble for I will not approve any contract which will cost the Government a single unnecessary dollar and I will not approve the appointment of a single person who is not qualified for and worthy of the place he seeks, no matter who may be urging the approval of the contract or the making of the appointment.'

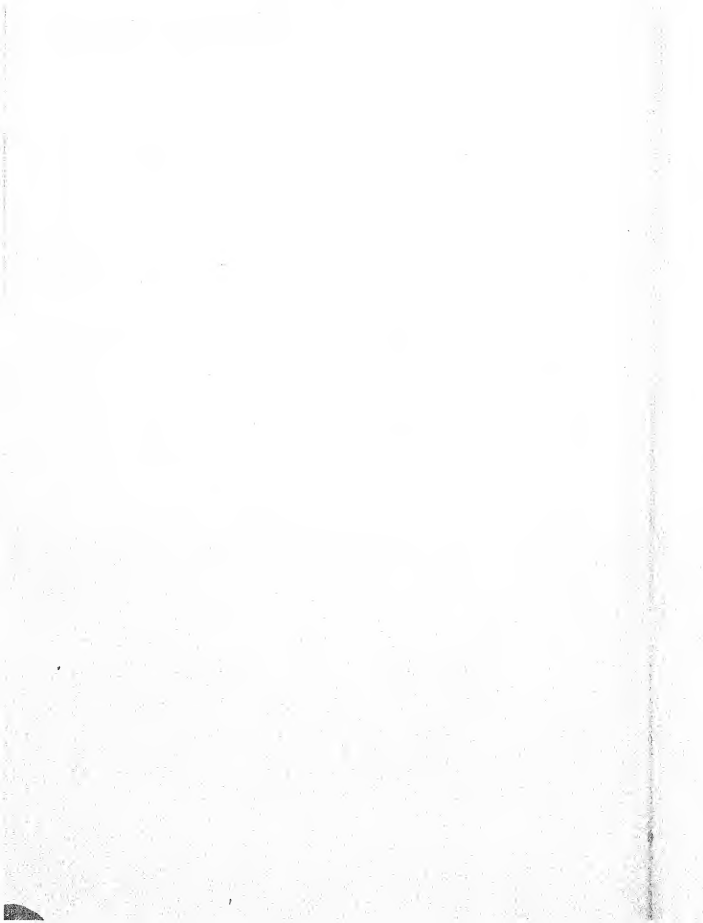
"In making this statement to you I was remembering that you and I had had an intimate acquaintance with affairs in Washington for forty years, and that we both knew there had not been an hour during all this period when this Capital City had not been infested by many high-powered, highly paid lobbyists. We knew, too, that these lobbyists, with wonderful facility, had been able to influence against the best interests of the Government many officials in high position, some of whom they had been instrumental in installing therein, and on occasion had been able to make it decidedly uncomfortable for those officials who had an eye single for the welfare of the Government and had had the temerity to interfere with their activities. We knew also that during the Harding Administration tremendous forces bent upon graft, corruption, and waste in the Government's affairs had secured a firm foothold in Washington and since that time had continued their plunder as evidenced by the Teapot Dome scandal, the innumerable transactions of questionable character in the United States Shipping Board Bureau, and the contracts approved by the Post Office Department for steamship and air-mail subsidies, all of which had been heralded through the public press for many years, and we had every reason to believe that the operations of these forces extended into nearly every bureau of the Government and that they would not cease their activities which had profited them so much without

a gigantic contest. There also were rumors of the occurrence of improper transactions at the time of our conversation some of which I called to your attention.

"In answer to my statement above quoted, you said: '*Why you are just the type of man I want.*' Today, seventeen months after my appointment, we find ourselves at variance on many questions affecting the conduct of the affairs of the Department of Commerce."



PART II
THE INTERLUDE



CHAPTER IV

THE GOVERNMENT'S "OLD ARMY GAME"

Elections may come and elections may go—the people of this country, by more than six and one-half million plurality, may throw out an old deal and install a new one, as they did in 1932—but the administrative oligarchy which has a strangle hold on the Government in Washington, goes on with unabated vigor.

This oligarchy is composed of administrative assistants, bureau chiefs, and lesser officials. An administrative assistant is assigned to each Cabinet officer. He is a glorified private secretary and in nearly every case rules over his respective Department with the power and influence of a little czar. As a rule he has been in office for many years and knows the details of governmental procedure and the history of the growth and development of numerous bureaus of the Government, and from his knowledge and experience is in position to make himself almost indispensable not only to his immediate superior, the Cabinet officer who heads the Department, but to numerous other powerful personalities as well.

While all members of the Cabinet have two or more assistants, who are known as assistant secretaries, assistant attorneys general, or assistant postmasters general, as the case may be, these officials usually are changed at the incoming of each Administration and so when the Cabinet officer and his assistants take office they are new to the job and the administrative assistant, who knows all, sees all, and hears all, is in position to

ingratiate himself with them and very often to lead them off into mazes of extravagance, waste, and favoritism to private interests with such ease and gentleness that the official in question is unable to realize just what his course or conduct has been.

The administrative assistant heads the departmental machine, which is made up of chiefs of bureaus, divisions and sections, and their assistants. Each bureau is composed of several divisions and each division usually has several sections. In nearly every instance these subordinate officials must reply upon the good offices of the administrative assistant to keep them in good standing with the Cabinet officer and his assistants and to aid them in securing time off from their duties, increases in salary, promotions, transfers to other positions and approval of policies and projects which may be dear to their hearts or the hearts of their friends on the outside whom they are anxious to serve.

Each of the many thousands of other employees of the Government is dependent upon the section, division and bureau officials for his annual rating of efficiency and personnel record. Upon this rating and record and the favor of these officials depend the chance of the employee for promotion or transfer. Those employees who are not subservient to the wishes of their superiors receive no favors.

In the Government there is a blacklist system far more effective and deadly than any industry has ever been able to devise. Blacklisting is not necessarily for the benefit of the Government—far from it in fact. Black marks against one's personnel record nominally "for the good of the service" in many cases are in-

tended to stifle the efforts of some employee to serve the interests of the Government and to strengthen the departmental machine. Any Senator or Congressman who undertakes to interfere with the operations of the machine will find his requests for information slowed up or ignored and his recommendations for appointment of his friends to office pigeon-holed.

The members of the oligarchy have a very closely knit organization and it sometimes happens that one of their number is compelled to relinquish his position in spite of the influence exerted in his behalf, but he is immediately taken care of and a place found or created for him in some other department or bureau. Every Cabinet officer has unsolved problems continually before him and it is an easy matter for his administrative assistant, upon whose knowledge of governmental affairs he relies, to induce the Cabinet officer to believe that the member of the oligarchy who has just lost his job, or is about to lose it, is the very man to work out the problem at hand; and so members of this inner circle who may be dismissed for cause secure transfers to other places often at an increase in salary.

The administrative assistant receives all mail which is addressed to the Cabinet officer. He passes on to the Cabinet officer that which he thinks he should see and distributes the rest to the assistant secretaries and bureau chiefs as his judgment dictates. If a letter arrives from some prominent Senator, some powerful captain of industry, or influential politician, he writes to the person in question explaining the letter has been brought to the Secretary's attention and that his request will receive every consideration.

In this way the administrative assistant gets in touch with men of great influence in and out of the Government and he takes care to continue his acquaintance. Soon the Senator or other powerful personage learns to lean more and more on the administrative assistant and will even turn over to him matters relating to other Departments because he knows the administrative Assistant is in close touch with the administrative assistants of other Departments and can get immediate action on his requests.

In the same fashion, but to a lesser degree, the bureau chiefs, division chiefs and section chiefs, build up their influence.

There are ten Departments of the Government and, therefore, ten administrative assistants. These men work in close harmony and organize for mutual assistance for themselves and their friends. Together they have tremendous power because most United States Senators, prominent Congressmen, many men of great influence scattered over the Nation and, last but by no means least, those who constitute the powerful lobby with which Washington is always infested, are under obligations to them and, moreover, have found them so efficient that for selfish reasons do not want to see them displaced.

So, when there is a change of Administration and a new President assumes office, the administrative assistants and bureau chiefs get very busy and have numerous Senators, high-powered lobbyists, and the others of great influence whom they have served so faithfully, besiege the President and members of the new Cabinet urging that they be retained during the tenure of the

new Administration. If the new President and his Cabinet are unfamiliar with the character and nature of the oligarchy which controls the bureaus of the governmental departments they are very apt to be much impressed with the qualifications of the administrative assistants and bureau chiefs and, being anxious to secure efficient men, very readily agree to the request of the latters' powerful friends that they be retained.

If the incoming President and his Cabinet know Washington life and understand thoroughly how the Government's business is conducted, as in the case of President Franklin D. Roosevelt who served eight years as Assistant Secretary of the Navy during the terms of President Wilson, and in the case of Secretary of Commerce Daniel C. Roper who served 28 years in government positions and has spent more than 40 years in Washington, they know it is just the Government's "Old Army Game."

Now, the reader may ask, if these administrative assistants and bureau chiefs know the operation of the Government better than anyone and are so efficient, why should they not be continued in their places?

The answer is that these officials are primarily interested in retaining their positions which not only carry comfortable salaries but furnish the occupant with great power. The exercise of power very frequently is the principal aim of man's ambition and in order to retain their places they have found that the surest road to success is to give those with whom they deal every possible consideration utterly regardless of the interests and the welfare of the Government and the taxpayers.

Some of the methods employed by administrative assistants, bureau chiefs and lesser officials to aid friends on the outside are:

1. They recommend to Congress legislation which may look very innocent but which may be loaded with dynamite in favor of some special interest with resultant heavy cost to the Government. This is usually done through the Cabinet officer who may have been entirely misled. Often the administrative assistant or bureau chief will write to chairmen of important Senate and House committees with whom they are on familiar terms, urging passage of certain legislation or urging that certain legislation should not be passed.

2. The administrative assistants, bureau chiefs, division chiefs, and even section chiefs and their assistants, are often in position to favor a particular interest by drawing specifications for equipment, merchandise, materials and supplies to be purchased in such a manner as to exclude all bidders except the favored one. The "joker" in the specifications may be inserted by an assistant section chief. These specifications initialed by the section chief, division chief, bureau chief and administrative assistant will finally reach an assistant secretary of the Department. This does not mean, however, that all of these officials have made an examination of the specifications—perhaps none of them have—so the assistant section chief becomes an important man to the interest which will profit by the fixed specifications. If the "joker" slips by all officials it will prevent competition in the bidding.

3. Under the law, all money appropriated by Con-

gress for meeting the expenditures of the different Departments which is not spent by June 30, the end of the fiscal year, is automatically returned to the Treasury. Naturally, if a bureau has money left over at the end of the year the supposition in Congress is that the appropriation for the succeeding year may be reduced. Bureau chiefs enjoy the power spending money brings and to avoid reductions by Congress it is practically the universal custom among the oligarchy to see that there is never any surplus at the end of the fiscal year. In order to dispose of it they will buy materials and supplies which are not needed, and this business usually goes to some favored friend on the outside. As an example of this custom, a hydrant was permitted to flow for ten days at the end of the fiscal year to increase the water bill and prevent money being returned to the Treasury.

During my service the Bureau of Lighthouses was under my supervision. The district superintendent in Hawaii filed charges against his assistant, listing as one of the main complaints that the latter, for the first time in 20 years, had actually returned some money to the Treasury at the end of the fiscal year. The assistant superintendent admitted the charge, expressed his deep regret and explained that because it takes 30 days to clear checks between Hawaii and Washington he just did not have time to spend all the appropriation.

4. Bureau chiefs in construing the laws of Congress can often ruin one business while favoring another. Take, for instance, the enforcement of the Pure Food and Drug Act; two very similar proprietary remedies

may be given entirely different treatment—one may be approved and the other condemned. The proprietor of the latter has the right to a hearing before the Secretary of Agriculture, if and when he can secure an audience, but in the vast majority of cases the bureau chief will be sustained. Then there is nothing left but a long, tedious and expensive litigation through the Federal courts against the Government if the proprietor is ever to get his product back on the market.

5. Administrative assistants, without authority, will transfer to the account of a bureau money appropriated by Congress for the expenses of another bureau.

6. Creating innumerable jobs, large and small, for which there is no need.

7. Remission of fines and penalties inflicted by the Government.

In order to strengthen the oligarchy, favored officials and employees are granted important concessions. For instance, for several years an important official of the Census Bureau, a Virginia Republican, has carried on a very remunerative real estate business across the Potomac River in Virginia which pays him a larger income than the salary of his office. He spends a great deal of time away from his official duties attending to his real estate business.

Another example of favoritism came to light recently when a telephone operator in the Department of Commerce was short \$1,300 by reason of her failure to turn over to the telephone company that amount in long distance tolls which she had collected. It was a clear case and she could have been prosecuted, but she

had friends among the oligarchy who made good her shortage and arranged for her transfer to another position where she can gradually return to them the money they have advanced.

Mr. Malcolm Kerlin has been the Administrative Assistant for the Department of Commerce for more than ten years. He is the dominating influence in the Department and has its organization well in hand. Before coming to the Department of Commerce he served for several years in the Post Office Department while Secretary Roper was First Assistant Postmaster General. Mr. Kerlin is an "easy" boss. His manner is mild and gentle but his persistence is great and his determination to repel any challenge to his authority or any interference with the operation of his machine is unending.

I repeatedly urged Secretary Roper to appoint at least one new man in each of the Bureaus of Lighthouses and Coast and Geodetic Survey so that we might be able to obtain an unbiased view of the methods and practices which for so long have prevailed in those bureaus, but he declined all suggestions. So there has not been a single change in the administrative personnel of either bureau under the New Deal.

The Bureau of Air Commerce was organized by and remained a division of the Bureau of Lighthouses until July 1, 1933. The dry-rot, inefficiency, waste and extravagance found in the Air Commerce Bureau where some new blood had been infused indicated the urgent need of an overhauling of the Bureau of Lighthouses, but Secretary Roper was adamant.

Members of the Little Cabinet and other officials are divided into two classes—those who work and those who loaf. Any official willing to sign on the dotted line has plenty of time for social activities and to attend to any private business. There are many bureau chiefs and others perfectly willing to let their subordinates do all the work. Most Little Cabinet members under the New Deal work long hours, at night, and on Sundays and holidays. But no matter how hard the Little Cabinet member works he must sign great stacks of mail, sent to him by bureau chiefs, which he has no time to examine.

All administrative assistants and most bureau chiefs should be changed at least once in four years. Of course, where technical knowledge is required, such as in the Bureau of Engraving and Printing where the paper money and postage stamps are produced, no changes should be made. The new officials with the help of hold-over subordinates could carry on the continuity of the Government's affairs and save vast sums of money to the taxpayers. Many of the bureaus are full of dry-rot and expensive red tape methods, and new blood in the Departments occasionally would get wonderful results.

The National Capital has great charm for the people of this country. Thousands of capable men and women, many of them willing to give up better positions to do so, would be glad to take these places of responsibility for the privilege of spending four years in Washington. This particularly is true of those who desire to secure for their children the advantages offered in the Capital of the world's greatest nation.

No great American industry, like General Motors Corporation or General Electric Company, would for a moment stand for the system in vogue under the Government's "Old Army Game." In industry, key men who habitually encourage waste and extravagance and who continuously work against the interests of their employers would be dismissed.

CHAPTER V

UNCLE SAM PLAYS A LONE HAND IN WASHINGTON

As a boy I was an employee of the United States Senate. For four years I was a page and for four years a messenger serving on the card door of the reception room. During those eight years I learned much about the ways of Senators, lobbyists, special interests, and the "sentiment of Washington." Senators often treated pages as though they were so much furniture, without eyes or ears. I learned to know the Senators who were for the people, those who were in league with certain special interests, and those who were half and half; I learned the great influence on legislation which lobbyists of special interests wielded; I learned with what great alacrity certain Senators always came bounding into the reception room upon receipt of the card of certain lobbyists.

During this period I attended school at night, first public school and then law school. The day I finished my law course I gave up my position and returned to Missouri to begin the practice of law. I have been active in politics ever since but never as an office seeker. Cleaning out the grafters who were raiding the public treasury, stopping the granting of special favors to private interests by the Government, and reducing waste and extravagance in public affairs to a minimum have always been among my objectives in politics.

The dominating "sentiment of Washington" is that the Government is always wrong in its contests with

private interests. It is the business of the ever-present swarm of lobbyists who infest the city, together with the many lawyers who live permanently in Washington and who are little more than lobbyists, to promulgate and maintain this sentiment, and it is amazing what power and influence they exert. They have one common purpose which molds them into a compact fraternity.

It cannot be denied that officials, with very, very rare exceptions, as their terms of office continue to extend, become more and more careless of the welfare of the public interest and more and more subservient to pressure from the outside. This results from the fact that there is no one at hand to plead the cause of the Government, but selfish interests always have an efficient representative present. After years of patronizing back-slapping, social entertainment on a grand scale, the acceptance of Christmas presents, free steamship and air line transportation and other gratuities, and the hope of future reward, not to mention the cold cash that sometimes passes, the official who can retain the attitude of aggressiveness for the public interest he possessed upon entering the service is a rare individual.

For a member of the Little Cabinet who was imbued with a desire to fulfill the pledges made by the President and the Democratic platform in the campaign of 1932, promising a drastic reduction in Federal expenses, elimination of graft, waste, favoritism to private interests, and the consolidation of overlapping bureaus, it was unfortunate that I had as my superior Secretary Daniel C. Roper.

Secretary Roper persistently has claimed to be a resident of South Carolina, but the fact is that continuously for the past 43 years he has been a resident of Washington, D. C. It also appears that he is a citizen of Washington because he has attended numerous Democratic National Conventions as a delegate from the District of Columbia. He served in such capacity in 1924, 1932 and 1936. He also has served on the school board of the City of Washington.

For 28 years he held various Government positions in Washington, including ten years as a division chief in the Census Bureau, Department of Commerce, under Republican administrations. He retired in 1920 after serving two and one-half years as Commissioner of Internal Revenue.

Several months later he organized the firm of Roper, Hagerman, Hurrey & Parks, as business and government consultants, and continued in this firm until his entry into his present Cabinet position. Secretary Roper's firm made a specialty of income tax cases and it can be imagined that it prospered abundantly since he so recently had retired from the position of chief of the bureau which handles all income tax cases, was on intimate terms with the personnel of the bureau, and was familiar with its business as well. During Secretary Roper's long continued residence and office-holding experience in Washington he had ample opportunity to become thoroughly inoculated with the "sentiment of Washington" and to become adjusted to the environment of the National Capital.

Practically the whole pressure that is prevalent in Washington urges waste and extravagance to the last

degree. A Government official who presumes to undertake to slow up this pressure will soon find that he not only is unpopular and regarded generally with suspicion but that his job is in jeopardy. If he too frequently insists that Uncle Sam be given at least an even break with the multitudinous interests that are clamoring for money from the public treasury he will find that he is out of a job. This is not a new condition in Washington. It has prevailed for many years but has reached its highest degree of efficiency under the New Deal.

Let me call attention to just a few instances in the Department of Commerce.

WOODWARD FORCED TO RESIGN

When the Shipping Board was consolidated with the Department of Commerce in August 1933, it was placed under my supervision. Admiral Hutch I. Cone had been a member of the Board for several years but had recently been reappointed by President Roosevelt. During his service he had been merely a messenger boy for the International Mercantile Marine Steamship interests. Secretary Roper selected Mr. Thomas M. Woodward and General Charles McK. Saltzman, both of whom are men of the highest character, courage and intellect, to conduct the affairs of the Shipping Board jointly with Admiral Cone. Mr. Woodward and General Saltzman, over the persistent objections of Admiral Cone, undertook to reorganize the Board's activities by the dismissal of officials whose records demonstrated they were far more interested in the welfare of shipping companies than protecting the Govern-

ment, by discharging useless employees who were being retained on the pay roll through political influence, by the curtailment of unwarranted credit and privileges to steamship companies, and by attempting to collect millions of dollars long due the Board.

I cooperated in every way with Mr. Woodward and General Saltzman. At the end of five months I was relieved of the supervision of the Bureau and it was put in charge of Mr. Henry H. Heimann. The latter had shown his interest in and solicitation for the welfare of the racketeers, who had filched unearned millions from the Government through the Shipping Board, by appointing a number of them on a committee to investigate their own misdeeds and report to Secretary Roper a plan of conducting the Bureau.

A few weeks after Mr. Heimann took charge, General Saltzman, filled with disgust to the point of nausea over failure to accomplish any reforms in the Bureau, resigned. I vigorously protested to Secretary Roper the acceptance of his resignation but without avail.

In the spring of 1934, Mr. Woodward addressed a memorandum to Secretary Roper opposing the lay-up of the giant SS. *Leviathan* which was so unanswerable in its logic that the Secretary caused the vessel to be returned to service. But Mr. Woodward had made a vital mistake from the standpoint of holding his job for he had trodden squarely upon the toes of Mr. Vincent Astor and Mr. Kermit Roosevelt, who are intimates of President Roosevelt, and were interested in the lay-up of the *Leviathan* which was designed to net the United States Lines Company, in which they have large interests, about two million dollars. In March,

1935, President Roosevelt ordered the *Leviathan* permanently withdrawn from service, and liquidated damages due the Government for non-operation of the vessel, amounting to \$1,720,000, were waived.

Secretary Roper urged Mr. Woodward to accept another Government place which paid \$2,500 per year more than his Shipping Board position but the latter was so devoted to his duties in the Shipping Board he declined the offer. After a little while Secretary Roper demanded his resignation and when this was not forthcoming his duties were taken away from him entirely. Finally, becoming irked with this condition, he resigned. That Mr. Woodward's ability and character were not deemed insufficient is shown by the fact that he was immediately given the responsible Government position of counsel for the National Bituminous Coal Commission—a position in which he no longer would be a menace to the racketeers of the shipping fraternity. But notwithstanding Mr. Woodward's high character and unusual ability he would have gone the way of Mount, Jones, Adams and others if he had not had the strong backing of Senator Joseph F. Guffey from his home State of Pennsylvania, and Senator Hugo L. Black of Alabama, both of whom are very influential with the New Deal.

MOUNT FORCED TO RESIGN

Mr. Jay A. Mount, an official of the Air Commerce Bureau, also suffered the same fate as Mr. Woodward. Having had practically continuous service in aeronautics since 1917, serving in the Army air corps, the Post Office air mail service, from which service he

was transferred to the Air Commerce Bureau at its inception in 1927, he was made superintendent of maintenance of all air navigational aids early in Secretary Roper's administration.

The responsibilities of the position were heavy, involving the safety of the lives of all pilots and passengers who depended on the Government owned and operated aids to air navigation to guide them safely and accurately through storms and bad weather. The civil airways system consisted of 22,000 miles equipped with beacon lights for visible guidance, radio beams for invisible or instrument guidance, intermediate landing fields for emergency landings, weather reporting stations and a system of radio and teletype communication for the dissemination of weather reports and other information.

Instrument flying with passengers had recently been authorized. In other words, the Department of Commerce had sanctioned flying through bad weather with only the radio beams—and God—to guide a pilot precisely to his destination. And precisely it must be, if disaster is to be avoided.

A career man in aeronautics, Mr. Mount knew the importance of accuracy in these beams. His long service in the Bureau as an airways engineer had made him familiar with the equipment. Thus charged with the responsibility for the safety of thousands of lives, he made exhaustive field inspections checking the efficiency and accuracy of operation of these aids. His reports submitted during the latter part of 1934, collaborated in and fully corroborated by two able assistants, supported by photographic illustrations and charts of read-

ings of scientific instruments, revealed shocking conditions from previous neglect, indifference, inefficiency and lack of organization, and furnished conclusive proof of the incompetence of several powerful administrators directly responsible for the conditions reported. The danger to the lives of all those who fly was not only quite apparent but was forcefully pointed out in Mr. Mount's report to Mr. Rex Martin, assistant director of the Air Commerce Bureau, charged with responsibility for their proper operation. (Report Senate Committee on Safety in Air, March 20, 1936, pp. 495-499.)

When he assumed office as superintendent of maintenance the records indicated about \$300,000 worth of property on hand. He diligently inventoried all property, gathering it from fields, barns, highways and hedgerows, and found after a year of hard work that there was approximately \$15,000,000 worth of property on hand. He also found that instead of the purported cost of \$214 per mile per year for maintenance of intermediate fields and lights the actual cost was about \$63 per mile per year—a difference of \$151 per mile per year, which for the 22,000-mile system represents \$3,322,000 per year which apparently was transferred without authority to other Bureaus and false report made to Congress, or wasted—or worse.

Despite the fact that Congress had been making appropriations for maintenance in amounts nearly three times that actually necessary, it was found that the radio beams, the beacon lights and other equipment were operating at but approximately 50 per cent of normal efficiency.

Mr. Mount's long experience in Government service made him familiar with the methods employed by administrative assistants and bureau chiefs when their jobs are threatened, so upon being given the assignment as superintendent of maintenance he predicted he would be attacked by those whose incompetence would necessarily be exposed.

He had done the unforgivable thing, revealed that the administration of the Department of Commerce had been grossly inefficient and dangerously negligent. Therefore, Mr. Malcolm Kerlin, administrative assistant to the Secretary of Commerce, and his lesser henchmen were offended. As a result a deliberate effort was made to frame him. Within a month after his startling reports of dangerous conditions of operation of the radio beams, beacon lights and other equipment had been submitted, Post Office inspectors were baying on his trail, tracing his every move for five years back. The most flimsy charges were preferred against him by Secretary Roper. He was suspended from duty without pay. On May 1, 1935, the Personnel Committee of the Department of Commerce, of which I was a member, heard the evidence in his case and unanimously adopted a resolution that the charges were entirely groundless and recommended that he be immediately restored to duty.

During the hearing Mr. Mount described a general condition of misaligned radio beams, pleaded for the support of his superiors in his attempt to maintain the airways aids so as to safeguard lives, and predicted that unless corrective steps were taken promptly a major accident would surely result. *Just five days later Sen-*

ator Bronson Cutting and four others were killed and eight persons seriously injured, and the cause as determined by the Senate Committee named to investigate the accident was exactly the condition which he had sought to correct.

This seems one of the most brazen acts of the Roosevelt Administration. At the very time officials were being pleaded with to correct the misaligned radio beams and warned of serious consequences which were sure to result, and a United States Senator and others were killed as the result of such a misaligned beam, they were framing the man who would have prevented the accident.

Mr. Mount was removed from his position as superintendent of maintenance and replaced by one of the district managers—a man who a few months before Director of the Bureau Eugene L. Vidal wished to have fired for incompetence and inefficiency.

Mr. Mount was then demoted and ordered out of town before sundown to an obscure post in Georgia—presumably to get him away from the Senate Committee investigators. However, he was subpoenaed by the Senate Committee and two weeks after testifying was forced to resign.

Not only did he lose his job but \$2,000 in salary and traveling expenses were withheld.

After the Cutting accident it would be presumed that the Department of Commerce would immediately remove the defects and follow out a system of frequent periodical inspections and adjustments to insure the proper functioning and alignment of radio beams.

On the contrary, an audit of records subpoenaed by

the Senate Investigating Committee revealed that for the period from June 1, 1935, to April 1, 1936, but one in five radio stations were so inspected *in accordance with the Department's own regulations*. No wonder the Sun Racer crashed at Uniontown, Pennsylvania!

Those who were responsible for the shameful conditions of inefficiency, waste and neglect of navigational aids within the Department of Commerce still hold their positions and are in full control of the administration of the Air Commerce Bureau.

JONES AND ADAMS FORCED TO RESIGN

Secretary Roper selected Commander H. McCoy Jones, a graduate of Annapolis Naval Academy with eight years' service as an officer in the Navy and a World War veteran, for the position of chief navigation officer of the Bureau of Navigation and Steamboat Inspection. He also selected Mr. Frederick L. Adams as chief investigator for that Bureau. Soon after their appointment it was discovered that an employee of the Bureau named Dale, as a result of peculations which had continued for several years, was short about \$35,000. The peculations were attributable to the loose cost accounting system maintained in the Bureau. Commander Jones' efforts to remedy the defects in the accounting system which this defalcation had brought to light were resented by those who had established the old system.

Interest in safety of life at sea had been much stimulated by the *Morro Castle* and *Mohawk* disasters. Commander Jones and Mr. Adams gave much attention to efforts to increase safety of life at sea.

Once a year the supervising inspectors of the Bureau gather in Washington from all parts of the country for a conference. The object of the annual meeting is to exchange ideas and recommend improvements in the service. At their meeting in January, 1936, a resolution was unanimously adopted calling attention to the great inefficiency of steamboat inspections and the necessity for drastic reforms in that service in order that safety of life at sea might be promoted. In some manner this resolution found its way into the newspapers. Commander Jones and Mr. Adams denied the charge brought against them that they had released the resolution for publication.

Much as in the Mount case secret service men were put on their trail. Mr. Adams was given a severe examination in the sacred precincts of his own home and they undertook to give Commander Jones a severe grilling. Both were given two days' notice that they would be summarily dismissed, but they resigned in the meantime.

Their dismissal is further proof that Mr. Kerlin and others in authority in the Department will not tolerate interference from any official which is designed to expose waste and uncover inefficiency.

Dale, the employee who was short in his accounts, pleaded guilty, was sentenced and immediately paroled. At the present he is operating a saloon and drives about the city in a high-powered automobile. His accomplices, who cashed Government warrants for supplies that were never delivered and turned the money over to him, were not even prosecuted.

TRANSACTIONS WHICH INFLUENCED MY OUSTER

My own troubles commenced soon after I entered the Department. I frequently came into head-on collision over expenditures and matters of policy with bureau chiefs who showed every indication of being thoroughly inoculated with the "sentiment of Washington." These bureau chiefs, who had served for many years in the Department of Commerce, were on very friendly relations with Secretary Roper, who also had served in that Department during his service in the Census Bureau.

I will describe here very briefly a few of these occurrences. Some are treated in more detail later. I list in the order of their importance the transactions which resulted in my being kicked out of the Little Cabinet:

Filing charges against Admiral Hutch I. Cone, a favorite of the President.

Criticizing the permanent lay-up of the giant SS. *Leviathan*.

Stopping the purchase of a luxury yacht at an exorbitant price which a Bureau had agreed to buy from a former client of Secretary Roper.

My continuous objection to appointments of unqualified persons which were being made as a result of political influence.

My continuous urging of the dismissal of incompetent officials.

My refusal to accept invitations of lobbyists to dinners and gala affairs.

For some reason President Roosevelt took a lively interest in Admiral Hutch I. Cone. I do not know whether this resulted from a friendship which may have existed during the eight years the President was Assistant Secretary of the Navy in the Wilson Ad-

ministration or whether it was because Admiral Cone's retention had been strongly urged by Mr. Kermit Roosevelt, Mr. P. A. S. Franklin, Mr. John M. Franklin and Mr. R. Stanley Dollar, who were much interested in the International Mercantile Marine Steamship organization, or both.

Frequent Congressional investigations into its affairs had clearly demonstrated the frightful condition of waste and subserviency to private interests which prevailed in the Shipping Board. As soon as the Bureau came under my jurisdiction, in cooperation with Mr. Woodward and General Saltzman, I attempted to have Admiral Cone and others dismissed. Secretary Roper for a time seemed willing to let Admiral Cone go.

When the President sent Admiral Cone's nomination to the Senate his confirmation was held up by Senator Hubert D. Stephens of Mississippi, then chairman of the Senate Committee on Commerce, and other Senators who were familiar with his record in the Shipping Board. It was known at that time the Shipping Board soon was to be consolidated with the Department of Commerce and Senator Stephens wrote the President asking whether it was the intention that the Admiral continue in service after the Bureau reached the Department. The President replied that the Admiral's term was to be only temporary and until the Department took over the Bureau. Thereupon, Senator Stephens and other Senators withdrew their opposition and his nomination was confirmed.

I told Secretary Roper of this correspondence between the President and Senator Stephens and he said

if he could show the President the letter he had written it might influence him to let Admiral Cone out. I secured the letter so the Secretary might show it to the President, but still Admiral Cone remained.

After the Shipping Board had been taken from under my jurisdiction Secretary Roper created a personnel committee to pass on all personnel problems and make recommendations to him concerning them. I stated to the committee that I intended to file charges against Admiral Cone and offer a motion in the committee that he be dismissed with prejudice. Mr. John Dickinson, the other Assistant Secretary and a member of the committee, immediately said:

"Mitchell, you had better not do that because if you do you will get in bad with the President. A short time ago, while I was the Acting Secretary of Commerce, the President called me to the White House and told me he understood a good many changes were being proposed in the Shipping Board and he wanted it clearly understood that Admiral Cone's duties and salary were not to be disturbed."

I replied:

"Well, I am going to file the charges anyway, and I will do it on the theory that President Roosevelt, like President Harding and President Grant, does not know his friend."

I filed twenty-three charges against Admiral Cone. These charges are reproduced in the Hearings on June 19, 1935, of the Senate Commerce Committee, pages 91-106. I offered a motion that Admiral Cone be dismissed with prejudice, but could never get my motion to a vote, the reasons assigned for the delay being that Secretary Roper was considering the charges and that later the President had them under advisement.

Finally Admiral Cone was permitted to resign. The newspapers stated the resignation had been forced. This was more than one and one-half years after the time fixed by the President in his letter to Senator Stephens for the Admiral's exit.

The same persons who were interested in retaining Admiral Cone in the service were interested in the permanent lay-up of the *Leviathan*. They had purchased the *Leviathan* and eight other mammoth vessels from the Shipping Board at a give-away price, the main excuse for which was that although the purchasers would sustain a loss of \$600,000 a year the *Leviathan* should be operated seven trips a year for five years. The contract provided liquidated damages for each year in which the vessel was not operated.

In a memorandum to Secretary Roper I protested the proposed lay-up of the *Leviathan*, following the finding of United States Comptroller General McCarl who held the Secretary of Commerce had no authority to waive liquidated damages due for failure to operate the vessel, amounting to \$1,720,000.

One of the most heated controversies which raged in a bureau under my charge arose when I stopped the purchase by the Coast and Geodetic Survey of a luxury yacht for which it had no need, belonging to a former client of Secretary Roper, which the Bureau proposed to buy at a price far in excess of its market value. When the Bureau found it was not to purchase this particular yacht it concluded not to buy any at all.

I continually objected to appointments of incompetent persons which were made simply to satisfy the demand of those with strong political influence. I

particularly opposed the appointment urged by a Congressman who told me he would be paid \$1,000 if it were made. I gave Secretary Roper this information but the appointment was made anyway.

I continually urged the dismissal of incompetent officials whose records clearly disclosed that they were time-servers, under the influence of outside interests and were devoted to habits of waste and extravagance.

One of the potent influences which finally led to my removal from office was my refusal to fraternize with lobbyists. I declined all their invitations and soon fell into disfavor with them.

But no doubt the chief cause for my dismissal was my activity in the affairs of the Shipping Board. President Roosevelt is better informed concerning nautical and shipping matters than any President who has served since the Civil War. The sea and boats are his hobby and, moreover, his service of eight years as Assistant Secretary of the Navy furnished him a fund of information on these subjects.

I knew when I took office, as others knew, who had read in the newspapers reports of Congressional committees which investigated the affairs of the Shipping Board from time to time, of the frightful conditions which for years had obtained in that governmental agency. I realized that such conditions could not continue over a period of many years unless those who were reaping the benefits were persons of vast political influence. During the Wilson Administration these frightful conditions had existed and they continue to exist until this day.

Concerning conditions in the Shipping Board during

the Wilson Administration George Harvey, editor of Harvey's Weekly, and later Ambassador to England, said in an editorial on November 20, 1920:

HARVEY'S WEEKLY

(Combined with The North American Review)

Vol. 3. No. 47. November 20, 1920

A SHOCKING DOCUMENT

"The report of the Shipping Board investigators is one of the most shocking documents ever laid before the American people. In all the war orgy of waste and thievery, there is hardly anything to match its revelations of sordid infamy.

"When one stops to think how the decent people of the country have been pinching and scrimping, depriving themselves of this and denying themselves of that—many thousands of them actually hard pressed, at times, to obtain the bare necessities of life in spite of the ever-mounting bill for living expenses—while all the time a despicable crew of scoundrels have made unchallenged loot of the millions upon millions of money resultant from this patriotic self-sacrifice; when all this comes home, as it does come home in the Shipping Board exposure, it is difficult to express in any measured terms the indignation which the revelation arouses.

"It is no campaign document, this Shipping Board report. Not an item in all the disgusting indictment can be charged off or discounted as an attempt to make political capital. The election is over. No partisan end can be served by the revelations. It is just a cold recital of carefully established facts.

"And such facts! If that Shipping Board report may be taken as a fair cross-section exhibit of American standards of official competence and of our average business integrity, then—God help America! To analyze this miserable mess which two specially appointed investigators for the Congressional Select Committee on Shipping Board Operations have spread before the country, involves exploration of almost every resort of com-

mercial iniquity known to man. Every crime in the calendar of business villainy seems to be involved.

"Just how many millions of the American people's money was stolen is unknown. That, too, will probably remain unknown. The best that the investigators can say on this score is that the amount will perhaps run into the billions.

"Just where official incompetence leaves off and where official criminality begins in the abominable business is a problem for the future to solve.

"And now what is going to be done about it? Are these crooks, official and plain, to go unwhipped of justice with the millions which they have stolen from the American people? Are they to go scot free? Or are they to be hunted down, convicted, and put in the penitentiary where they belong?"

Presidents and Attorneys General have known and now know the full details of the existence of these conditions and it was and is their duty to send to the penitentiary these malefactors of great wealth and to sue them for the return of the loot, but instead no such actions have been taken.

The most profoundly forgotten men in the United States under the New Deal are the racketeers of the shipping fraternity.

CHAPTER VI

PATRONAGE, POLITICS AND PIFFLE IN THE BUREAU OF AIR COMMERCE

The Bureau of Air Commerce, of the Department of Commerce, is charged with the grave responsibility of protecting the lives of those who fly. One of its chief duties is to furnish dependable service of the Government owned and operated aids to air navigation.

It is surely the duty of the Secretary of Commerce and those of his subordinates who are responsible for the conduct of the affairs of the Bureau to secure the most competent men to have charge of the personnel upon whom depend the proper and continuous functioning of the aids. Too often, during my two years' service, appointments to key positions in the Bureau were made as a result of political pressure rather than on the basis of qualifications.

It seems that most pilots and others actively engaged in aviation not only have the interest that the ordinary business man has in his calling, but in addition have a devotion, a zeal and enthusiasm for aviation which is remarkable. On account of this consuming interest a great many applicants were willing to give up better paying positions to secure positions in the Air Commerce Bureau. The result was that some of the best talent in the country was available for the few vacancies occurring in key positions, the applicants numbering several hundred. Among the applicants were 75 who had had from 2,000 to more than 10,000 hours in the air.

APPOINTMENT OF DONALD M. RAINEY

Among the large number of applicants was Donald M. Rainey, who sought to be an Aeronautical Inspector. The duties of this position consist chiefly of enforcing all regulations of the Bureau [except those pertaining to air lines], examining engine and airplane mechanics, examining and testing pilots for license, testing pilots for re-license, examining and licensing airplanes for airworthiness, and appearing before chambers of commerce and schools.

Senator Royal S. Copeland of New York is Chairman of the important Senate Committee on Commerce. To this Committee is sent all legislation before the Senate relating to the Department of Commerce. It frequently has before it bills in which bureau chiefs of the Department of Commerce are vitally interested, in having passed or defeated, and most of them can be disposed of by Chairman Copeland. Committee Chairmen in Congress have great influence and it is an unusual occasion when a Committee will override its Chairman. On account of Senator Copeland's position as Chairman of this Committee he had much influence with Department of Commerce officials. Whenever the Senator sent a letter or called the Department on the telephone everyone was all a-flutter and word immediately was passed around that Senator Copeland wants this, or Senator Copeland wants that, and he generally was given what he wanted and sometimes, as in this case, even more than he asked. Mr. Rainey was not appointed to the position he sought but to one of far more importance, that

of Assistant District Manager of the Division of Air Navigation, with headquarters at Chicago.

There are six districts of the Air Navigation Division in the United States and the Chicago district is second in importance. Upon the manager and assistant manager of these districts falls the heavy responsibility of maintaining the large number of aids to air navigation which are necessary for the protection of life; and upon them is the duty of the proper expenditure of a large sum annually for the support of the activities of the district, and also the proper discipline of the personnel under their charge. To discharge the important duties of assistant manager the following qualifications are desirable:

Considerable business training and experience,
General knowledge of aeronautics,
At least a substantial knowledge of civil engineering,
Experience in handling men,
Should be a capable pilot,
A substantial knowledge of electrical engineering,
Knowledge concerning the radio.

In addition to these qualifications this representative of the Government should possess a reputation for honesty, truthfulness and integrity. No man should be appointed to such an important position whose moral character is doubtful or questioned, no matter what may be his other qualifications.

The Chicago district employs 303 persons, operates 43 flying fields, 310 revolving beacons, 10 marker beacons, 3 directional markers, 11 broadcast stations, 18 range stations, 38 teletype stations, 7 point-to-point telegraph stations, 4,537 miles of lighted airways, and

other activities, and expends over a half million dollars annually.

Mr. Rex Martin, Assistant Director of the Bureau, Division of Air Navigation, recommended Mr. Rainey be appointed assistant district manager at Chicago, and in his recommendation stated:

"I have looked over the files of the various persons which were submitted to me to pick an assistant district manager and the one best qualified is Donald Rainey."

This recommendation was approved by Eugene L. Vidal, Director of the Bureau.

I requested Mr. Martin to send me the names of the persons whose files he had examined in connection with the proposed appointment and also to state what superior qualities for the place he believed Mr. Rainey possessed in comparison with those of the other applicants. It developed Mr. Martin had in his possession the files of 22 applicants at the time he recommended Mr. Rainey and in sending them to me he wrote:

"It is exceedingly difficult to compare qualifications of men from information contained in any of these files. Mr. Rainey was here and I have interviewed him personally, and in my opinion his qualifications are superior in many ways to some of those we have already appointed. If I could see all of the men whose names appear in these files, I might pick another one, but under the circumstances, my choice is Rainey."

From an examination of the files it became quite evident that Mr. Martin either did not understand the qualifications necessary for the discharge of the duties of the position in question or had given no consideration to the qualifications of Mr. Rainey and the other 21 applicants. There was nothing to indicate Mr. Martin

had made an investigation concerning Mr. Rainey's character.

I carefully went through Mr. Rainey's file and personally interviewed him. It appeared that he was a competent pilot, that he had had one year at Dartmouth College and a summer course in aviation for teachers at New York University, and that he claimed to have a knowledge of gas engines, radio, topography and aero photography. That was the extent of his qualifications. There was no evidence that he had had any business experience or training, or any knowledge of civil engineering or electrical engineering, or experience in handling men, or the disbursement of large sums of money. I learned the records of the Family Court in the City of New York disclosed that Mr. Rainey had been arraigned on a charge of abandonment for failure to support his minor child; he pleaded guilty and was ordered to pay \$12.00 a week for the support of the child. He maintained the payments for a year. For a period of two years these payments ceased and he contributed nothing to the support of the child. Then for about five years he made the necessary contributions, but for two and one-half years had contributed nothing, and a firm of New York lawyers was attempting to serve papers upon him in an action to compel him to support his child.

Shortly prior to the time I interviewed Mr. Rainey he had lived with his second wife for four months at the Wardman Park, one of Washington's leading hotels. He denied he had any children. I said to him, "Is it not true that you have a child and have had some difficulty concerning its support?" He re-

plied, "Oh, that is a child by my first wife." He denied that he had had any difficulty about the child's support and said he had supported it regularly until the last six weeks, when he had been unable to do so. He promised to furnish me the next day the name and address of the person to whom he had made remittances for the child but did not furnish me that information, and I did not see him again.

A communication addressed to me by the Secretary of the Navy disclosed that Mr. Rainey enlisted in the Navy in 1917 under the name of "Donald M. Raine," during the six months he served he was absent without leave on three occasions for a week or more each time, and that he had attempted to leave station while a prisoner at large. He was issued an ordinary discharge under honorable conditions. In 1931 he was appointed second lieutenant in the Marine Corps Reserve under the name of Ray Boyer (having changed his name) and in July, 1934, was assigned to active aviation duty with the intention of having him serve in that capacity for one year. About this time he had his name legally changed to "Donald M. Rainey." After four months in the Marine Corps he was discharged because of "apparent lack of the integrity expected of an officer in the service, as evidenced by concealment at the time of appointment as second lieutenant of the fact that he had prior service as an enlisted man in the Navy."

Colonel Ross Rowell, his commanding officer, informed me that he was an average flyer but not a finished flyer, and had no knowledge of engineering.

The only other persons, besides Senator Copeland, who endorsed Mr. Rainey were John S. Wynne, a

division chief of the Bureau of Air Commerce, and Herbert Schaeffer, *Liberty Magazine*, New York. Mr. Wynne admitted that he had very slight knowledge of Mr. Rainey's qualifications, having met him at a social party given by his brother a short time before.

Mr. A. C. Mills, in charge of patronage for the Department of Commerce, addressed a communication to the Personnel Committee concerning Mr. Rainey's appointment as an *Aeronautical Inspector*, in which he stated:

"Mr. Martin tells me that this position is that of Aeronautical Inspector; that they suggested Mr. Rainey for the position based upon their familiarity with his qualifications, *but more particularly because of the very strong interest expressed in him by Senator Copeland*. The Senator has written about him, on December 27, 1934, and has telephoned to Mr. Mitchell on at least two occasions, and, Mr. Martin was informed, had also spoken personally to Secretary Roper on several occasions.

"As I understand it, the Bureau has no particular interest in Mr. Rainey but merely felt that his qualifications were satisfactory *and that the Committee would wish to go along with Senator Copeland*."

Mr. Martin's statement that if he could have seen the other applicants he might have picked another is entirely disingenuous because many of the applicants have planes of their own and the others could easily have obtained free air line transportation, and any one of them would have been more than pleased to make a trip to Washington for an interview concerning his qualifications for this important position. This situation undoubtedly was known to Mr. Martin because some of the applicants had come from as far away as California and Texas to meet Mr. Martin and the

officials of the Bureau and to press individually their desire for appointment.

Among the list of 21 applicants whom Mr. Martin passed over in order to "go along with Senator Cope-land" were some of the best known aviation talent in the country, notably among whom are Major John Berry of Cleveland, Major Charles E. Cox, Jr., of Indianapolis, and Raymond Parker Applegate of Chicago. A brief summary of the qualifications of these three men, as shown by their files in the Bureau, follows:

Major John Berry

1921-1925 designed, engineered and constructed the first lighted airway in the world, the Air Mail Transcontinental, under authority of the Second Assistant Postmaster General, and in conjunction therewith constructed the lighting systems of more than sixty intermediate fields on this transcontinental route.

In 1925, the Post Office Department detailed him to locate a suitable landing area near Cleveland, Ohio, which was the first municipal airport in the world, and he laid out an airport basic for all types of transport. He has conducted the operation of this airport for eight years.

In 1929, at the request of the Board of Directors of the Transcontinental Air Transport, he built the transcontinental airway, its airports and intermediate fields, between Columbus, Ohio and Los Angeles, California.

In 1931, he developed and placed in operation the first radio control of airport traffic and its success has won the approval of all air line operators.

In 1929, 1931, 1932 he arranged and supervised the ground and flying activities of the National Air Races, also the Gordon Bennett Balloon Races in 1930.

Major Charles E. Cox, Jr.

Number of hours in air, 3062.

Education.—Graduate of Culver Military Academy, Indiana.

Experience.—1920-1926, Commercial pilot; 1927, wholesale and retail sales manager of Aviation Department, Murphy Motors, Inc., Indianapolis; 1928-1930, Assistant Base Manager of Curtiss-Wright Flying Service in charge of student instruction; 1930, Assistant Superintendent Indianapolis Municipal Airport; 1931, Appointed Superintendent of Indianapolis Municipal Airport.

Major Cox was in the Air Service during the War and received four citations.

Raymond Parker Applegate

Number of hours in air, 3806.50.

Education.—Evanston Academy, 4 years; Massachusetts Institute of Technology, Boston Lane Tech. Degree received: Mechanical Engineer.

Business Experience.—Since discharge from Naval Aviation in June 1920, as Lieutenant, J. G., owned and operated own flying equipment commercially until Fall of 1932. Since that time has been flying for own personal business; 1920, organized and operated Delta Airways, New Orleans to Pillottown; 1924, organized and operated Caribbean Airways, Spanish Honduras. Established 52 commercial flying fields throughout Cuba (17 years of continuous flying); 1929, organized and operated Cuban Flying Service, Havana, Cuba; 1921-1932, owned and operated Lake Geneva Flying Boat Service. Owned and operated Pictorial News and Aerial Survey, Palm Beach, Florida.

There were many other applicants of outstanding qualifications for the place.

Since Mr. Martin had stated that he considered Mr. Rainey's "qualifications are superior in many ways to some of those we have already appointed," I sent him a demand for the names of those who had less qualifications than Mr. Rainey but I received no response. I made a recommendation to Secretary Roper that all appointees falling in this category be released

from duty immediately. I detailed all the facts given above and also called attention to the superior qualifications of several other applicants and vigorously protested the appointment of Mr. Rainey. However, he was appointed.

The desire of Secretary Roper, Mr. Vidal, Mr. Martin and other officials to boost Mr. Rainey into this important place, when he applied for and was endorsed by Senator Copeland for a position of much less importance, can only be explained on the theory that this is another instance of jeopardizing the public welfare for political expediency and a desire to curry favor with a Senator who is in a position, if he chooses, to grant important favors in return.

APPOINTMENT OF RICHARD C. COPELAND

I had been in office about a month when Congressman William M. Berlin of Pennsylvania, a Democrat, called at my office. The Congressman pulled a chair up to my desk and opened the conversation by saying: "I wonder if you will do me a favor?" I told him I would be very glad to if I could consistently. He said that Richard C. Copeland of Greensburg, Pennsylvania, was anxious to secure a position in the Bureau of Air Commerce and that if he could get such a position in a short time it would save his father from the expense of renting a tri-motored plane which Richard Copeland would have to use in order to maintain his flying record and maintain his license as a pilot; also that the expense involved in renting such a plane would be \$1,000 and that if the appointment were made the \$1,000 would be saved to Copeland's father who

would give Congressman Berlin the \$1,000, and that he needed the money and hoped the appointment could be arranged so that he could get it.

I asked Congressman Berlin if he did not know that several United States Senators and Congressmen had been sent to penitentiaries and jails for doing just what he proposed to do? He said he did not know that and seemed surprised. I told him that it nevertheless was a fact. I told him I would have nothing to do with the transaction, and with this the interview ended.

Congressman Berlin again visited my office a few days later and asked me if I remembered the conversation which I had with him on his previous visit. I replied that I remembered it very well and I was quite sure that he did also. I then repeated the conversation to him. He said he did remember that I had brought up the subject that some Senators and Congressmen had been sent to penitentiaries and jails for soliciting or receiving bribes and he wondered at the time why I had mentioned that subject. He made no denial of his statements to me on his previous visit.

Until his first visit to my office I had never seen or heard of Congressman Berlin, Richard C. Copeland, or his father Judge Charles D. Copeland.

I repeated to Secretary Roper and Assistant Secretary John Dickinson the conversation I had with Congressman Berlin. Both agreed with me that in view of the Congressman's statement it would be highly improper to appoint Richard C. Copeland to any position. Mr. Dickinson, who is a citizen of Pennsylvania, said he would see the chairman of the Democratic State

Committee in Philadelphia and tell him of the occurrence. About a week later he stated to Secretary Roper and me that the State Chairman said he would rather have the information about Congressman Berlin than a job for one of the Democrats of his State. Again it was agreed among the three of us that Richard C. Copeland should not be given a position.

I assumed the subject of the Copeland appointment was settled and dismissed it entirely from my mind. Therefore, I was very much surprised to learn by accident several months later that Mr. Copeland had been appointed temporarily to the position of Airways Extension Superintendent of the First Air Navigation District at a salary of \$3,200 per annum, with headquarters at Newark, New Jersey. This is the most important air navigation district in the United States because of its proximity to New York City and the great volume of traffic which is handled in the district.

I learned this appointment was authorized by Secretary Roper, through a memorandum from South Trimble, Jr., Chairman of the Personnel Committee, to Eugene L. Vidal, Director of the Air Commerce Bureau. It read:

"Attached hereto is the file of Richard C. Copeland, 444 Maple Avenue, Greensburg, Pennsylvania, which contains his application for a position as Aeronautical Inspector.

"The Secretary says the appointment should be made at this time if you consider Mr. Copeland qualified."

Some months later there reached me for approval the personnel papers by which it was proposed to promote Richard C. Copeland to the position of Assistant District Manager at Newark and make his appointment

permanent. I sent Secretary Roper a memorandum strongly disapproving the appointment on the ground of Congressman Berlin's statement to me.

About this time Secretary Roper had turned over to Assistant Secretary Dickinson some of my memoranda for his perusal and opinion. Among them was the one referring to a permanent appointment for Mr. Copeland. Mr. Dickinson, in furnishing his opinion on the various cases, had this to say of the Copeland appointment:

"The third case is that of Richard Copeland which has been frequently discussed. The present arrangement is, as you know, to drop Mr. Copeland at the expiration of his present period of temporary appointment about January 1st."

A terrific barrage was opened by the office of Senator Joseph F. Guffey of Pennsylvania in behalf of the permanent appointment for Mr. Copeland. Senator Guffey phoned me and urged the appointment; his secretary called on me twice and was very insistent that the appointment be made. Assistant Secretary Dickinson strongly urged me to agree to the appointment saying that Secretary Roper had asked him to secure my consent.

I received several letters from Judge Charles D. Copeland urging his son's appointment. Judge Copeland for twenty years had been Judge of the Court of Westmoreland County, Pennsylvania, and Congressman Berlin represented in Congress the district which consisted of Westmoreland County. The Judge and the Congressman had been friends and political associates for several years. On that account, I thought perhaps the Judge would make some defense of the Congressman but instead he wrote me:

"There is not a word of truth in that (Congressman Berlin's statement). I do not know why under the sun Mr. Berlin made such a statement, but you may rest assured he had some ulterior purpose. He may have been silly enough to think, knowing I was deeply interested in my son, that I would give him \$1,000 if he succeeded in getting the appointment. Let me say to you—I would not have given him, or any one connected with the Democratic Administration, a thin dime to have my son appointed to the position he seeks."

In reply I wrote Judge Copeland as follows:

"Concerning this appointment I have this statement to make:

"At the time the temporary appointment of Richard C. Copeland was made and also at the present time there were and are a large number of applications on file with this Department of persons well qualified for the position to which he was appointed. There was no particular reason, so far as I was concerned or am concerned, why your son should be preferred to many of them. In fact, many of them equalled or outranked him from the standpoint of qualifications. With this condition prevailing there was not, in my opinion, any reason why the Department of Commerce or I should be placed under the suspicion of having assisted a Congressman to collect a bribe of \$1,000 for securing the appointment.

"It is true that Congressman Berlin did come into my office and tell me in very plain terms that if your son were appointed to this position you would pay him \$1,000.

"At the conference at which the application of your son was considered, as well as other applications for similar positions, I called attention to the conversation I had had with Congressman Berlin, and it was unanimously agreed by those present that your son should not be appointed. His temporary appointment papers did not come to me for approval, as they should have done in the ordinary course of the routine of this Department, and his appointment was made entirely without my knowledge or consent. It was not until several months later that I learned by accident that he had been appointed and was serving. Recently the papers providing for his permanent ap-

pointment were presented to me for approval and I declined to approve them for the reason above stated.

"Of course, I do not know and do not charge or even intimate that you agreed to pay Congressman Berlin a bribe of \$1,000 to secure this appointment, but it is my opinion that when a Congressman makes such a statement to a public official who is charged with the responsibility of making the appointment there is no other course open to the official in question than to decline to have anything to do with the transaction. This is true particularly under the conditions surrounding this case since there were many other applicants for the position just as well qualified and just as worthy from every standpoint.

"I regret the whole transaction but it was not of my making and there is nothing I can do concerning it."

After three months of contention in the Department and the continuous application of pressure from Senator Guffey's office, Mr. Copeland was given the permanent appointment of Assistant District Manager at Newark, New Jersey.

The members of the Personnel Committee and Secretary Roper conceded the truthfulness of my statement concerning the conversation I had with Congressman Berlin, nevertheless the appointment was made. The recommendation of the Committee, made over my objection, favoring the appointment which was approved by Secretary Roper, contained the following touching the truthfulness of my statement:

"Furthermore, such action is taken without in any way raising any issue as to the veracity or good faith of Assistant Secretary Mitchell or his single-minded devotion to the public service in the position he has taken on this case and with full belief that Assistant Secretary Mitchell has stated the facts in this case as he understands them from personal knowledge."

Very soon after Mr. Copeland's appointment as Assistant Manager he became involved in serious diffi-

culties with his wife and with his superior, Mr. Donald G. Van de Water, District Manager. Mr. Van de Water reported:

"Mr. Copeland failed to report at the office on any regular schedule of routine and did not advise the office of his whereabouts when absent, he failed to advise the Acting District Manager of his scheduled itinerary or contemplated time of departure before leaving on his assigned duty of inspection of intermediate landing fields.

"On April 20th I forwarded a dispatch to Copeland directing him to return to headquarters immediately, which dispatch was received by Copeland on the same date at Boston. He made no response to this dispatch and did not return to the District office until April 23rd, on which date I was at the Bureau in Washington.

"On April 25th Mr. Copeland was left in complete charge as I was at home under medical care for tonsillitis. On this same morning Mr. Copeland left the office indicating on his departure that he would return in a few moments but actually he did not return until May 16th and his whereabouts were unknown. Almost immediately upon his departure Deputy Sheriff Stoetzel arrived with a warrant for Mr. Copeland's arrest. The Sheriff called again several times afterward in an effort to locate Mr. Copeland and I wired his home in an attempt to advise him that he was being sought by the Sheriff. This wire was returned, indicating that he was not at his home.

"On May 14th Mrs. Copeland was granted a settlement of \$3,000, plus \$500 for legal fees, in the Newark, New Jersey, Chancery Court, according to newspaper reports."

Mr. Copeland had been married secretly and was having difficulties with his wife. During his absence numerous phone calls were received by Mr. Van de Water saying that Mrs. Copeland wanted Mr. Copeland to come home at once, that it was a matter of life and death. In an attempt to locate him Mr. Van de Water telegraphed him at his former home at Greens-

burg, Pennsylvania, and a reply was sent by a relative saying Richard C. Copeland was not married.

There was another employee in the district named Copeland who happened to be in Cleveland. Mr. Van de Water wired him, "Your wife urges you to return at once. She says it is a matter of life and death." Mr. Copeland dashed back from Cleveland to Newark on the first plane and rushed out to his home. He found his wife well and happy and entirely ignorant of the whole occurrence.

Mr. Van de Water also reported concerning Mr. Copeland:

"Upon receipt of a telegram signed by Assistant Director Martin, directing the First District office to secure the use of a plane for testing experimental landing lights, Mr. Copeland refused to make the necessary request to the American Airlines for the plane, stating that the Department did not do him any favors and that he had to battle for everything he received, further stating that he might want to ask favors of the American Airlines if he were out of a job or needed the use of a plane for himself to get his license renewed. Mr. Donaldson of this office made the necessary request of the American Airlines and the lights were tested satisfactorily.

"For the above reasons and the fact that the Department might utilize Mr. Copeland's service to better advantage in another district it is recommended that a transfer be made."

There is a vast difference in the methods employed by the Air Ministry of England and those of the Commerce Department of the United States. It will be observed from the report made by Mr. Van de Water that Mr. Copeland had said that "*he might want to ask favors of the American Airlines if he were out of a job or needed the use of a plane for himself to get his license renewed.*" Sir Christopher Bullock, who

had held the positions of permanent secretary of the Air Ministry and member of the Air Council in England since 1931 at a salary of \$15,000 per year, was dismissed on August 6th last, by Prime Minister Stanley Baldwin because he had approached the Imperial Airways Company with a view of securing a position.

After receipt of the complaints of Mr. Van de Water I recommended to Secretary Roper that Mr. Copeland be dismissed. My recommendation was ignored and Mr. Copeland is still in the service as Assistant District Manager at Atlanta, Georgia.

Congressman Berlin inserted a speech in the Congressional Record concerning his conversation with me on this subject and included therein an affidavit made by him in which he stated he had not told me he would receive \$1,000 for using his influence in Copeland's behalf "to secure the *temporary* appointment held by said Richard C. Copeland in the said Department of Commerce."

What Congressman Berlin says in his affidavit about a *temporary* position is quite true. There was no hint or suggestion in my conversation with him that Mr. Copeland was to be given a *temporary* position. For some time Mr. Copeland has held a *permanent* position in the Air Commerce Bureau. Congressman Berlin attempts to exonerate himself by the use of a misleading statement. He was defeated for re-nomination to Congress in the spring of 1936.

More than a year ago I personally handed to Attorney General Cummings a memorandum reading, in part:

"Since the event has occurred, namely, the appointment of Copeland which Congressman Berlin said would enable him to

collect \$1,000 in bribe money, I feel that the welfare of the public service and the proper administration of justice demand that a Federal grand jury investigate that transaction to ascertain whether indictments should be returned against Congressman Berlin and/or others for violation of the Criminal Code of the United States, and I recommend that be done."

The Department of Justice took no action and now the 3-year limitation on criminal prosecutions has expired.

APPOINTMENT OF CHARLES F. DYCKER

Charles F. Dycer of California was endorsed by Senator William Gibbs McAdoo of that State for the position of Aeronautical Inspector. Mr. Dycer's file revealed that he had pleaded guilty to a charge of petty larceny and there were charges against him of being involved in bootlegging liquor by others into California from Mexico by airplane.

Knowing Senator McAdoo was responsible for Secretary Roper's appointment as Secretary of Commerce and that the latter always was anxious to serve the Senator, I took up with him the question of Mr. Dycer's appointment in advance of a conference to be held by officials to pass upon it. I told him of Mr. Dycer's record as disclosed by his file and expressed the opinion that if he or I, acting in our private capacities, desired to give Mr. Dycer, or any other person who had made a misstep in life, employment in order to give him a chance to redeem himself we had a perfect right to do so, but that it was not within the province of the Department of Commerce to indulge in reformatory measures and that no one with a criminal record should be appointed to service therein.

Mr. Dycer's offense consisted of taking some used airplane parts from a vacant lot and he contended that in view of the minor nature of the charge he pleaded guilty rather than go to the trouble and expense of giving bond and employing a lawyer.

I explained further to Secretary Roper that Senator McAdoo's office was making a very strong appeal for Mr. Dycer's appointment. The Secretary said it would not do at all to appoint him and so far as Senator McAdoo's office was concerned, since Mr. Walter Measday, the Senator's secretary, was to be appointed to an important position in the Bureau of Foreign and Domestic Commerce of the Department of Commerce, the situation would be well taken care of without the appointment of Mr. Dycer. Mr. Measday received the appointment.

Before seeing Secretary Roper I had informed Mr. Dycer that I would oppose his appointment and after my conversation with the Secretary I again told him and Norman B. Landreau, who called upon me, that I would oppose the appointment.

A few days later, at a conference of officials interested in the appointment, I continued my objection but Secretary Roper completely reversed himself saying that only a trivial matter was involved in the charge of petty larceny to which Mr. Dycer had pleaded guilty and it should not be held against him. Mr. Dycer was appointed.

When Norman B. Landreau, who had practiced law in Washington for fifteen years, called at my office with Mr. Dycer he explained that he did not call in the capacity of a lawyer, but as a friend. Several

months later Mr. Landreau pleaded guilty to eight charges which involved embezzlement of more than \$12,000 from the estates of two insane men and was sentenced to two to four years in the penitentiary.

Mr. Dycer was assigned for duty at Grand Rapids, Michigan. A vacancy having occurred there in the position of medical examiner for the Bureau of Air Commerce, Mr. Dycer was asked to inquire into the character of the applicants, Dr. Oscar B. Frye and Dr. A. R. Hufford. He reported through Supervising Inspector Howard F. Rough, who wrote the Department:

"Inspector Dycer, who covers the Grand Rapids territory, reports that Dr. Oscar B. Frye enjoys a good reputation in Grand Rapids, is a pilot, owns and operates a plane himself and is apparently well liked by the pilots of this vicinity. His office is located in Grand Rapids about three miles from the airport. The office of Dr. A. R. Hufford is about an equal distance from the airport; however, his qualifications are not known to the inspector."

Dr. Frye was designated as medical examiner. It developed that prior to his appointment he had been convicted by a jury on a charge of bribery in connection with the awarding of a contract for street paving by the Common Council of East Grand Rapids of which he was a member, and served a year in jail.

With such methods of patronage, politics and piffle in vogue under the New Deal, small wonder the American people are fast losing faith in the judgment and devotion of high Government officials to the public welfare!

CHAPTER VII

FLYING DE LUXE AT UNCLE SAM'S EXPENSE

One of the most flagrant examples of waste of public money which came to my attention was the purchase by the Bureau of Air Commerce of the tri-motored airplane, the Ford NS-I, and its use by my predecessor, Colonel Clarence M. Young.

In 1931 when the plane was acquired, it was one of the largest and most modern transport planes then on the market. It accommodated two pilots and twelve passengers. The arrangement of its interior was changed by the removal of some of the seats which were replaced by a divan. The plane was devoted to the personal pleasure of Colonel Young. A special pilot was employed to operate it. In two years it cost the Government more than \$91,000.

During the two years Colonel Young operated the plane it was taken as far away from Washington as Tia Juana, Mexico, across the international boundary from San Diego, California, where horse races were in progress. It was frequently at Miami, Florida, South Bend, Indiana, Chicago and New York. Often Colonel Young would make trips by train and have his pilot follow in the plane, presumably to have it on hand if wanted.

The argument sometimes advanced for the purchase of planes by the Bureau, that it would be of "needed assistance to the industry," did not apply in this case since Henry Ford, who manufactured it, was not in need of assistance.

To inform Secretary Roper of the extravagance which had been prevalent in the Bureau, I sent him a memorandum concerning this transaction. The memorandum, which appears in the Hearings of the Senate Commerce Committee (p. 138), follows:

"The wanton waste of public funds indulged by my immediate predecessor, Colonel Clarence M. Young, while Assistant Secretary of Commerce for Aeronautics is appalling. I call attention only to the great extravagance indulged in connection with the purchase and operation by him of the tri-motored Ford airplane. I am reliably informed that at the time this plane was purchased by Colonel Young, the Air Commerce Bureau had absolutely no use for it and the whole object of its purchase was for his personal pleasure.

"The records of the Air Commerce Bureau show that the Ford NS-I airplane was purchased May 14, 1931, at the price of \$53,500 and was assigned to the personal use of Colonel Young. The records also show that John W. Cable was employed as a pilot for this plane at a salary of \$4,600 per year. They disclose, too, that in the two years following the purchase of this plane Colonel Young was away from Washington 260 days and that Cable and the Ford NS-I were shown to be at the same points with Young on 258 days of that period. The expenses of Young and Cable for these trips amounted to \$4,364.15. The salary of Cable for the two years was \$9,200. In addition to these items, the total operating cost of the Ford NS-I for the two fiscal years, beginning July 1, 1931, and ending June 30, 1933, was \$23,965.29. A tabulation showing the details of such operating cost follows:

Fiscal Year	Time Flown Hrs. Min.	Gasoline, Oil, Total Total Cost	Total Cost	Total Cost Repairs and Alterations	Storage Cost	Total Oper- ating Cost	Operating Cost per Hour
1932..	371 35	\$5,108.62	\$575.04	\$6,030.89	\$490.50	\$12,210.74*	\$32.86
1933..	323 43	4,844.89	688.24	5,251.16	966.50	11,754.55*	36.31

*Other costs: 1932, \$5.69; 1933, \$3.96.

"The data above show the Ford NS-I was flown 695 hours 18 minutes in the two years, practically an average of one hour per day for the period, and that the average operating expense was \$34.58 per hour. The loss of \$47,500 from depreciation in the Ford NS-I, its present value being about \$6,000, represents an expense of \$68.35 per hour for operating the plane, and this added to the hourly operating cost of \$34.58 makes the total hourly operating cost \$102.93, exclusive of salary and per diem expense of Colonel Young and Pilot Cable.

"A recapitulation of the amount of Government funds expended in the purchase and operation of the Ford NS-I for the two fiscal years mentioned, follows:

Cost of airplane	\$53,500.00
Total operating cost.....	23,965.29
Per diem expense of Young and Cable.....	4,364.15
Salary of Pilot Cable.....	9,200.00
Total	<u>\$91,029.44</u>

"When I had been in office about two weeks I returned from New York in the Ford NS-I. I was shocked when told the cost of gasoline and oil alone for operating the plane was about \$40 per hour. I immediately gave directions that the plane be put in storage and not used except on your or my order. The storage cost of \$150 per month was immediately stopped by its storage with the Army without charge. Pilot Cable was dismissed. The trip mentioned is the only one I have taken in the Ford NS-I."

On the flight from New York to Washington I said to one of the officials aboard: "What plane is this?"

He replied: "Why, Mr. Secretary, this is your personal plane."

I said: "My plane!"

He said: "Yes, sir. Mr. Cable is your personal pilot and he and the plane are at your disposal at any time, day or night."

I replied: "Well, if that is the situation, this is its last flight."

I flew several thousand miles in connection with my duties but there was no necessity for me to have a special plane. The Bureau had 50 planes in service and I always used one of them.

One of my last official acts was to reject the proposal to purchase two planes at the cost of \$75,000 each by the Bureau of Air Commerce. This proposal was made by the Chief of the Division of Development and approved by Mr. Vidal. Among the reasons urged by the former for their purchase was that the Navy would buy them if we did not, and if they were not purchased "the money will have to be returned to the Treasury at the end of the fiscal year" which was then only a few days away.

CHAPTER VIII

DID THE PRESIDENT APPROVE HAINS POINT OR GRAVELLY POINT?

Soon after I took office I learned that Washington had not only one of the poorest airports among the large cities of the United States but also the conditions surrounding it made it very dangerous. The airport consists of two tracts of ground and running between them is a military road which was established many years ago. The airport has a high hill on one side, a high bridge on another and high trees and a great many telephone wires on another. In landing and taking off it is necessary for transport planes and other large planes to cross the military road which carries a very heavy traffic. There is always present the opportunity for planes to become entangled in the wires or tree tops or to collide with automobiles traveling the military road. A suitable tract for an airport for Washington sufficiently close to the heart of the city to be available, and located in the District of Columbia, has been difficult to find.

When Mr. Wiley Post returned from his round-the-world flight he stated to the newspapers that he found more convenient airports in the heart of Russia than the one which is serving the Nation's Capital. Other noted fliers have also called attention to the dangerous conditions surrounding the airport.

The War Department was willing to give up the military road since it no longer was needed for military

purposes but the residents of Virginia who use the road have been able on several occasions to defeat bills in Congress which provided for the road's abandonment.

An official of the Bureau of Air Commerce called my attention to the feasibility of a tract of land for an airport just ten minutes from the heart of the city, known as Hains Point. I flew with him over the tract and also inspected it on foot. It seemed to be ideal for the use not only of airplanes but amphibions and airships as well. Hains Point extends into the Potomac River and has water on three sides. For several years it has been used as a park, golf course and picnic grounds.

The War Department for some time has advocated Gravelly Point as a site for Washington's airport. This tract is in Virginia further down the Potomac than Hains Point. The Army has been filling in the river at Gravelly Point for several years and the tract cannot be used for an airport until the filling is concluded. A call at the War Department in August, 1936, elicited the information from the engineer in charge that it would probably take five years more to complete the filling. It then will be uncertain when the tract can be used because it may take several years to settle properly. Baltimore filled in a space for an airport on its water-front, but although the filling has been finished for more than four years it still is too soft to use for airport purposes.

Hains Point is the property of the Government, is in the District of Columbia, and it was estimated that its use would save the Government about one and one-

half million dollars. It could have been transformed into an airport in sixty days. A blue print was prepared showing Hains Point, Gravelly Point, and other tracts in the immediate vicinity.

President Roosevelt had appointed an aviation commission, headed by Mr. Clark Howell, publisher of the *Atlanta Constitution*, to make recommendations concerning all phases of aviation. Late in 1934, I presented to the commission the suggestion of using Hains Point as an airport for Washington and the members of the commission went with me to look over the ground. All members but one approved the suggestion. The commission then took the blue print and called on the President to get his opinion. After the conference, Mr. Howell told reporters assembled at the White House that the President had approved the selection of Hains Point. One of the members of the commission came directly to my office and told me of the conference. He said the blue print was laid on a table and the President and members of the commission sat around the table and the President, who seemed much interested, took a pencil and went over the blue print, saying: "Here is Hains Point, here is Bolling Field, here is the War College, here is Gravelly Point;" and that he thought the selection of Hains Point would be a fine solution of the airport problem.

Immediately after the announcement by Mr. Howell that the commission and the President favored Hains Point, the civic bodies of Washington created an awful uproar and objected most strenuously to the loss of Hains Point as a park. After this clamor had

continued for several days the President made a statement to the press that Mr. Howell and the members of the commission had misunderstood him, that he had not approved Hains Point but had approved Gravelly Point. So the movement to use Hains Point as an airport was abandoned.

CHAPTER IX

THE PURCHASE OF LUXURY YACHTS FOR THE COAST AND GEODETIC SURVEY

The Bureau of Coast and Geodetic Survey proposed to purchase two luxury yachts to be used as floating homes for its coastal survey units. The specifications calling for bids were so restrictive that competition in the bidding was prevented almost entirely. In fact, the "joker" was so apparent that a New York yacht broker, upon receipt of a copy of the specifications included in his invitation to bid, and before the bids were opened, was able to designate one of the two boats which the Bureau selected.

In perusing this chapter the reader should bear two things in mind. First, every action taken by me concerning the purchase of the yachts had been approved in advance by Comptroller General of the United States J. R. McCarl; second, that the "joker" in the specifications upon which bids were requested consisted of the arbitrary "length/beam ratio." To arrive at the "length/beam ratio" of a boat its length is divided by its width.

This case furnishes a striking illustration of the fatal effect on competitive bidding resulting from a single provision in the specifications.

It is very difficult to put a finger on the person who really is responsible for inserting a "joker" in specifications—the "African in the wood pile" may be an official of comparatively small importance.

The boats proposed to be purchased are described as cruising houseboats but they are generally understood to be yachts for they are able to go to sea if the sea is not too rough.

After invitations for bids were issued on November 14, 1933, 53 boats, most of which *substantially* complied with the specifications, were rejected by Bureau officials in advance of the opening of the bids on the ground the boats failed to fulfill the requirements of the specifications. From the twelve boats which were covered by bids only four were considered by the Bureau to be within the specifications, and of these two were eliminated, the *Windswept* because of its bad condition and the *Lucerne* because of its excessive price, leaving the *Tropic* and *Marylin* which the Bureau desired to buy.

Knowing yachts similar to the *Tropic* and *Marylin* were a drug on the market at that time and being puzzled to know why so few bids had been received, I interviewed several prominent New York yacht brokers. They all told me that inclusion of the length/beam ratio provision in the specifications had excluded their yachts from the bidding.

One of the brokers on whom I called was Mr. John H. Wells, president of the New York Yacht Brokers Association, a former naval officer and an appointee of President Roosevelt when he was Governor of New York. In answer to my query as to why he had not submitted bids he turned over to me his office files relating to the subject and said they would explain the situation fully. He added that I might make any use of the contents of the files I thought advisable. Three

weeks before the invitations were issued, a letter to Mr. Wells from his Washington agent, Captain William G. Glenn, stated:

"I was called late last night regarding the boats for shoal water survey work and they will now be purchased as the money has been made available through the Public Works Administration."

Replying to this letter on November 28th, Mr. Wells said:

"We have been carefully getting out information on the houseboats required by the Geodetic Survey. The more we look into the matter, it is quite evident that they have built this specification around one particular boat. With your personal contact with the Department, you might be able to tell us what boat this is as it is useless for us to send particulars on boats that approximate these requirements, and spend \$300 on each boat to secure bonds to submit with the bids.

"It looks as though the boat they want is the *Tropic*, but without more definite information from someone close to the 'powers that be' in the Department, we would hesitate very much spending any of our money in trying to make a bid. Usually these sales are a headache as the boat, undoubtedly, is already chosen and someone is going to be slipped a little graft. Unless you are in on the know yourself, we think it useless effort to do anything further."

It struck me as very significant, indeed, that Mr. Wells could pick out in advance of the opening of the bids the very boat the Bureau would choose. The bids were not opened until December 1, and then the Bureau selected the *Tropic* and the *Marylin*.

In order to admit the *Marylin* into the bidding, the specifications were changed twice between the time they were published and the opening of the bids. The original specifications provided the boats should be not

less than 78 feet or more than 90 feet in length, and their length/beam ratio should be not less than 4. or more than 4.5. The changes in specifications provided the boats might be from 78 to 95 feet in length, and the length/beam ratio might be from 3.9 to 4.75. The length of the *Marylin* was exactly 95 feet and its length/beam ratio was exactly 4.75, its beam being 20 feet.

Mr. Philip Leventhal of William Gardner & Company, Yacht Brokers, New York, told me he had telephoned Commander F. G. Engle and Captain J. H. Hawley, officials of the Bureau, urging that the specifications be liberalized and both informed him that no change in the specifications would be made. However, a short time later he received through the mail copies of the changes, but evidently they were not sufficient to admit the yachts he represented or he did not have time to file bids, as no bids were submitted by his firm.

In my efforts to ascertain just why these changes in specifications had been made I was informed in a memorandum from Captain R. S. Patton, Chief of the Bureau, "this was done to admit the vessels *Aaronella*, *Marylin*, *Masquerader*, and *Marlen III*, about which we learned after the invitations had been sent to the bidders." But after the change in the specifications only the *Marylin* was offered!

Ordinarily the submission of merchandise which substantially meets the specifications will be accepted. Under that rule there was no occasion to change the specifications in order to admit any of these boats except the *Marylin*, as the other three range in length from 78 to 85 feet and missed the original length/beam ratio as follows: the *Aaronella* was $2\frac{3}{4}$ inches too nar-

row; the *Masquerader* was 6½ inches too wide; and the *Marlen III* was 17 inches too narrow. The *Marylin* was only 13½ inches too narrow *but it was five feet too long* to comply with the original specifications.

Mr. Henry J. Gielow, another yacht broker of New York City, wrote me:

"When we received in the early part of November of last year specifications from the United States Coast and Geodetic Survey, requesting particulars of houseboats we felt that because of the specific reference to length/beam ratio a number of fine, desirable, seaworthy boats would be eliminated or excluded from consideration of the Department, and we could not understand why this limitation was incorporated, in view of the fact that so many very successful vessels are in operation today, which did not comply with the length/beam ratio as outlined.

"We particularly refer to two boats that we know of which are now in Government service, namely the houseboat *Eala* and the houseboat *Sequoia*, both boats having cruised the entire Atlantic Seaboard, Long Island Sound, Florida waters, and the *Sequoia* having gone into the Gulf of Mexico to her home port of Galveston.

"There are many fine boats of this type that have proven their ability to go to sea, along the coast, that the Department may inspect and select from, provided the length/beam ratio is not specially stipulated as to eliminate these boats, all of which we know to be suited for general cruising.

"In making our original submission to the Department we confined ourselves only to length, feeling that the Department would authorize the inspection of any boats that might meet their general requirements and determine from this inspection whether or not the boats were sound as well as seaworthy."

The *Sequoia* was the boat used by President Hoover and President Roosevelt for several years; and the *Eala* had been loaned to the Commerce Department by Ambassador to England Robert W. Bingham in

order to avoid the expense of its maintenance and upkeep.

After getting this information I concluded the requirements of the Bureau embraced some peculiarity not apparent in the specifications in connection with the service for which the boats were to be used. I learned, however, in a memorandum from Captain Patton that this was not the case. He stated:

"The principal purpose for which these boats are to be used is as floating homes for the parties, homes capable of moving about from place to place as the work progresses so they will always be at the immediate scene of operations, thus obviating the need of long morning and evening runs by small launches or row boats from which much of the work actually is done."

The first intimation I had that the Bureau intended to buy two luxury yachts was when Captain Hawley, Assistant Director of the Bureau, came into my office on the morning of February 12, 1934, with a letter addressed to Comptroller General McCarl for my signature asking approval of the Bureau's recommendation that the yachts *Tropic* and *Marylin* be purchased. I was informed that the option on the *Marylin* would expire on the 15th, and that the owner of the *Tropic*, Mr. Albert Pack, was very apt to withdraw his offer at any moment. The letter requested the Comptroller General to furnish his approval by noon of February 14th. The total price to be paid for the two yachts was \$51,500.

I was surprised that the Bureau proposed to buy two luxury yachts for the use of employees, whose duty it is to take soundings along the coast and chart them, because that work was being done to a large extent

from launches and motor boats. The three yachts owned by the Bureau and the six rented by it were much smaller than the *Tropic* and *Marylin*. An examination of the memorandum which Captain Patton addressed to Secretary Roper on September 30, 1933, requesting money from the Public Works Administration, revealed the only mention of boats of any kind was in the following paragraph:

"If justified as above, an expenditure of some \$425,000 for *launches*, trucks, instruments, and other equipment would enable us to expedite spending the remainder of our \$2,600,000, and an additional \$722,100 between now and June 30. I, therefore, recommend that you request for this Bureau an additional allotment of \$3,284,202 for the following purposes: * * *

"Procurement of *boats*, trucks, and other equipment, instruments, supplies and travel, \$441,292. * * *"

In the same communication emphasis was placed upon the fact that "to make this equipment pay for itself we should be in position to use it eighteen or more months." This did not indicate an intention to buy yachts, which would be good for twelve years if well cared for. The same communication stated:

"I shall merely summarize briefly the benefits to be derived from this money:

"1. From 65 per cent to 75 per cent will be paid out directly to men in need of employment, while the remainder, of course, would help stimulate industry and trade. * * *

"4. *There are no subsequent costs for operation and substantially none for maintenance.*"

Surely there is nothing in this request which would inform the Public Works Administration, Secretary Roper or myself of an intention to buy ocean-going yachts. Certainly there would have been "*subsequent*

*costs for operation and * * * maintenance*" of such boats for many years to come.

Bureau chiefs and other subordinates who desire to "put something over," which will not stand close scrutiny, on a member of the Little Cabinet, sometimes resort to the pretense that action on the particular contract or order must be taken immediately. Often they will delay submission of the contract or order until the situation develops to the point where action is necessary. At other times the urge for speed is only a pretense. Under conditions where speed is really required the Little Cabinet member is put "on the spot." Sometimes there are in the case at hand stacks of documents and papers which should be carefully examined and the specifications, which should be studied to see that they have not restricted the bidding, may be so technical as to require expert advice.

I will mention two occasions of this kind. In one, the statement was made to me that a company would lose \$500 a day until a certain transaction was closed. I approved the action desired but have always wondered whether I should have done so. On the other occasion, Colonel L. H. Brittin, of Northwest Airways, and some officials of the Air Commerce Bureau called at my office at 6:30 in the evening saying it was absolutely necessary for me to sign a certain order that night. I refused to be rushed and it developed the Northwest Airways was trying to secure an advantage over competitors and there was no necessity for the order.

In instances of this kind the official urging that immediate action be taken frequently does not hesitate

to take advantage of the Little Cabinet member and give him misleading information in an attempt to gain his point and expedite action.

The Bureau of Navigation and Steamboat Inspection, which was under my charge, had secured the loan of the yacht *Eala* from Ambassador Bingham. Although it is a beautiful yacht, handsomely furnished, her captain told me he thought she could be purchased for from \$15,000 to \$20,000. At that time the depression was acute and many owners who no longer could operate their yachts were very anxious to sell them and avoid the great expense of upkeep.

In discussing with Captain Hawley the letter to the Comptroller General I learned the Bureau proposed to pay \$28,500 for the *Marylin* and \$23,000 for the *Tropic*. I thought the prices were exorbitant, in view of what I knew of the value of the *Eala*, and suggested we attempt to get some reductions. Captain Hawley protested very vigorously, saying the option on the *Marylin* was about to expire and there was no hope of getting it renewed, that there was no chance to get any reduction on the *Tropic*, and in fact we were in danger of having the offer withdrawn.

When I insisted on sending telegrams he said for me to attempt to negotiate for reductions would be against the law. I said: "You may be mistaken, so I will just telephone the Comptroller General." The latter informed me I would be entirely within my rights to negotiate for reductions in prices provided I confined my negotiations to those who had filed bids.

I was much surprised later to learn the Bureau already had negotiated for reductions on two of the

boats, as the following paragraph from the letter which Captain Hawley then was asking me to sign and send to the Comptroller General shows:

"An inspection of the vessels disclosed the *Tropic* satisfactory and reasonably priced, and the bids on the *Lucerne* and *Marylin* were excessive. In view of the excessive bids on the *Lucerne* and *Marylin* revised quotations were requested."

As a result of these negotiations the price of the *Lucerne* was reduced from \$19,950 to \$14,950, or \$5,000, and the price of the *Marylin* from \$39,500 to \$28,500, or \$11,000.

Since Comptroller General McCarl was requested to furnish his opinion in 48 hours it was necessary for me to get the letter off to him at once, but in so doing I wrote him another letter reading:

"Attached will be found a letter signed by me which was prepared for my signature by the Coast and Geodetic Survey. This is one of those 'hurry up' matters in which speed is said to be very necessary. The attached letter came to me only this morning and I have not had an opportunity to thoroughly digest it. I do not know whether or not there has been any unnecessary delay in presenting this matter to you. However that may be, I realize that it is an imposition on you to send you these 'hurry up' requests."

On February 14th, the Comptroller General replied and, after quoting in full the letter to him, stated:

"In view of the allotment made November 3, 1933, under the National Industrial Recovery Act of June 16, 1933, 48 Stat. 200, 211, and the representations made in your letter, *supra*, this office will make no objection to the purchase of the *Tropic* and the *Marylin* at the price stated, if you find that the purchase of said boats is the most economical means of accomplishing the work for which the allotment was made."

I was impressed with the fact that the Comptroller General was passing right back to me the responsibility of deciding whether the purchase of the *Tropic* and *Marylin* would be "*the most economical means of accomplishing the work for which the allotment was made.*"

During the two days the Comptroller General had the letter I had wired the owner of the *Tropic* offering him \$21,250, a reduction of \$1,750 in the price the Bureau had recommended, and he accepted the offer. My offer of a reduction to the broker of the *Marylin* was declined. I also had wired several yacht brokers and yacht builders asking them to put prices on yachts similar to the *Tropic* and *Marylin* and received such a flood of offers I was convinced the prices proposed to be paid for the *Tropic* and *Marylin* were excessive. I telephoned the Comptroller General and asked if under the circumstances I could withdraw my offer for the *Tropic* notwithstanding the owner's acceptance. He replied that if I had been misled into making an excessive offer it was my duty to withdraw it, which I did.

On February 15th, I received a memorandum from Captain Hawley, reading:

"Our option on the *Marylin* at the reduced price expires today. The Bureau understands that the broker is having some difficulty in obtaining an extension from the owner who is in Russia. In case a decision as to the purchase of this boat is made before the close of business today notification by telephone will be appreciated in order that we may communicate with the broker today."

In a report to the Director of the Bureau, Captain G. T. Rude, Chief, Division of Hydrography and

Topography, called attention to the fact that the *Marylin* did not comply with the specifications providing for maximum draft of 53 inches. He stated the *Marylin's* draft to be 54 inches forward and 57 inches aft, which would make the draft aft 4 inches in excess of the specifications. He proposed to remedy this defect by removing 10.7 tons of weight from the boat, including six tons of lead ballast, which would reduce the draft 3.6 inches.

I was told by competent authority that to remove ballast and other weight from a vessel may interfere with its equilibrium and reduce its speed. It was proposed to take one ton off the forward part of the vessel by reducing the anchor chain one-half. If too much weight is removed from the forward part of a vessel it will cause the aft part to settle in the water. To remove 10.7 tons of weight from the vessel in order to make it comply with the draft requirements of the specifications seemed to be a doubtful expedient.

Notwithstanding the expiration of the option, Mr. H. N. Whittelsey, the broker representing the *Marylin*, continued for several months to urge her purchase upon us.

Examining the effect of the length/beam ratio provision in the specifications I discovered only boats with the dimensions shown below would comply strictly with that provision;

Length Overall	Beam (Width)	Length/beam Ratio
78 feet	20 feet	3.9
78 "	16½ "	4.75
95 "	24½ "	3.9
95 "	20 "	4.75

Captain Patton admitted to me the *Eala* would satisfy the requirements of the Bureau but as she was not covered by a bid I could not negotiate for her purchase. I learned she could be bought for \$18,000, necessary repairs to be made by the purchaser.

The yacht *Yowana*, included in the bidding, had been offered for \$38,750. It was equipped with Diesel engines which gave it a great advantage over the *Tropic* and *Marylin* which had gasoline engines.

The *Yowana* was practically a duplicate of the *Eala* except the *Eala* had gasoline engines. Both were built by the Mathis Yacht Building Company, Camden, New Jersey. This company also built the *Sequoia*, the President's boat.

Prohibition was just ending and the Coast Guard had many rum chasers it no longer needed. I gave consideration to securing two of these boats which could have been obtained without cost, thus saving the expense of the two yachts. I inspected Coast Guard boat No. 102.

The following tabulation will show the dimensions of the boats mentioned:

Name of Boat	Length/Beam Ratio	Length	Beam
		Overall Feet-Inches	(Width) Feet-Inches
TROPIC	4.03	88-8	22
MARYLIN	4.75	95	20
YOWANA	5.16	92-10	18
EALA	5.17	93	18
COAST GUARD 102...	5.50	75	13-7½

Mr. Albert Pack in his bid offering the *Tropic* had listed a bar and a "refrigerator capable of cooling two and one-half barrels of beer at one time" and reserved

the right to remove the bar in event of a sale. The *Tropic* was stationed at Miami, Florida.

The letter to the Comptroller General contained this misleading statement:

"The length/beam ratio limits were fixed to exclude types tending towards extreme or freak proportions which invariably are unseaworthy."

The truth is the length/beam ratio limits fixed by the Bureau instead of excluding types tending toward extreme or freak proportions admitted only types of that character. This is shown by the fact that only four boats out of the large number in the country for sale, could meet these peculiar specifications. It is difficult to understand why such a misleading statement was inserted in the letter to the Comptroller General which the Bureau had me sign, but it must have been on the theory of building up a good case for the purchase of the *Tropic* and *Marylin*.

It should be borne in mind that the less the length/beam ratio the wider the boat in comparison with its length, and the greater the length/beam ratio the narrower the boat in comparison with its length.

It is absurd to say the *Tropic* with a width of 25 per cent of its length is more seaworthy than Coast Guard boat No. 102 with a width only 18 per cent of its length. In its rum-chasing days No. 102 guarded the 12-mile limit summer and winter in all kinds of seas.

With the assistance of the best qualified inspector of hulls and inspector of machinery of the Bureau of Navigation and Steamboat Inspection I examined the *Yowana*, *Marylin* and other boats covered by bids. After an examination of the *Yowana*, which was dry-

docked, the inspectors reported that \$500 would cover necessary repairs.

Concerning rejection of the bid on the *Yowana*, Captain Hawley wrote the Mathis Yacht Building Company, saying nothing about her failure to comply with the specifications but basing her rejection on the price quoted. He said:

"As the price quoted, \$38,750, does not come within the low bids submitted this boat will not be considered. If, however, it occurs that the bids are (all rejected and) again called for, you will have an opportunity of submitting a bid on this boat."

No effort was made by the Bureau to negotiate a reduction in the amount of the bid as was done in the case of the *Marylin*.

In my investigation of the *Yowana* I secured the original contract for its construction which showed it cost \$86,000 in 1925, and that two Diesel engines costing \$18,000 and an additional \$4,000 to install, or \$22,000, had been installed in the fall of 1931. The furnishings probably cost \$10,000. I secured an offer on the *Yowana* of \$19,750, which included all repairs, a reduction of \$19,000 from the amount stated in the bid. The Bureau had expected to spend \$2,500 each on alterations on the *Marylin* and *Tropic*.

The *Yowana* is a beautiful boat, splendidly furnished, with sleeping quarters for eight persons besides quarters for the captain and seven members of the crew, sixteen in all. It is equipped with four baths.

The following tabulation shows the difference in the proposed cost of these boats to the Government and the difference in expense of operation by gasoline and Diesel engines:

Name	Purchase	Alterations	Total	Fuel Consumed	
	Price			Gals. per Hr.	Fuel Cost* Per Hour
MARYLIN.....	\$28,500	\$2,500	\$31,000	42.0	\$6.30
TROPIC.....	21,250	2,500	23,750	38.0	5.70
YOWANA.....	19,750	None	19,750	19.50	.98

(* Cost of fuel consumption based on 5 cents per gallon for oil and 15 cents for gasoline.)

While this matter was under consideration, the *Eala* returned from her annual trip to Miami, Florida. She was 142 hours and 5 minutes making the trip to Annapolis, Maryland. The cost of gas was \$7.50 per hour. If the *Eala* had been provided with Diesel engines a saving of \$6.52 per hour would have been made, or \$826 for the trip and \$1,652 for the round trip. This, of course, is aside from the saving which would be made all through the year when the boat is being used by the Bureau.

Another great advantage of the use of Diesel engines over gasoline engines is that in the use of gasoline engines 1200 gallons of gasoline are stored in the hull of the boat, which is a constant menace from the stand-points of fire and explosion. An explosion of that much gasoline would blow the boat to pieces. In the use of Diesel engines there are never more than 50 gallons of gasoline on the boat at a time and it is stored above deck.

Mr. Malcolm Kerlin handed me two letters from Mr. Albert Pack, owner of the *Tropic*, addressed to Secretary Roper, and said: "Mr. Pack is a former client of Secretary Roper." I replied: "Well, I do not assume for a moment that Secretary Roper expects that fact to make the slightest difference in my course in this matter."

Mr. Pack was insistent that we take his yacht. He

said he was told in January by Commander Engle that the Government would accept it and "to further make me believe that this deal had been closed the Government engineer, Mr. Palmer, has been aboard the *Tropic* for nearly a month."

Only the Secretary of Commerce and his assistants have contracting authority and any commitments attempted to be made by subordinates have no binding force.

Mr. C. B. Hurrey, former partner of Secretary Roper, also insisted that the Government accept the *Tropic*, saying in a letter to him:

"The story of the negotiations is so remarkable that I hope you will take time to read Mr. Pack's letter and memorandum yourself, and respectfully suggest that his statements merit an investigation entirely independent of Assistant Secretary Mitchell's office."

Officials are eager to make trips at Uncle Sam's expense. The following officers of the Bureau inspected the *Tropic* at Miami, Florida: Captain G. T. Rude, Commander F. G. Engle, Lieutenant Commander H. A. Cotton, Naval Architect Carl de Jonge, Chief Engineer William J. Palmer. It seems that Engineer Palmer stayed a month. How long the others remained the information I have does not disclose. Lieutenant Commander Cotton reported there was dry-rot in the hull of the *Tropic* and necessary repairs were made at a cost of \$800.

I took all the papers in the case to Comptroller General McCarl and sat by while he looked them over—analyzing contracts and specifications is second nature to him. When he had finished he said:

"This transaction indicates a lot of skullduddery and those who are responsible for it are either unusually dumb or else dishonest, and in either event should not be trusted with the Government's business."

I showed the Comptroller General the original contract for the construction of the yacht *Yowana* at the price of \$86,000, and correspondence I had had with the Winton Engine Corporation showing that company had sold two Diesel engines for installation in the *Yowana* in October, 1931, at a cost of \$18,000, and the offer I had received for the sale of the boat to the Government for \$19,750. He was so impressed with the value of the bargain that he suggested I wire acceptance that afternoon, saying he would send me authority for the purchase the next day. His letter contained the following:

"The facts you set forth accord with the suggestions of my letter of February 14, 1934, to you in substance that to justify the purchase of the *Tropic* and the *Marylin* there must appear facts that their purchase is *the most economical means of accomplishing the work*. You report now that the result of your investigation is in substance that such purchase would not be the most economical means of accomplishing the work—hence I have to advise you that the public moneys would not be available for making such purchase. That was the purpose and intent of my suggestions to you in my letter of February 14, 1934, and they appear to have been carefully followed by you.

"The facts which you submit with respect to the purchase of the *Yowana* are such that I advise you this office has no objection to such purchase, it appearing to be the result of full administrative investigation. I likewise see no objection to your conclusion to reject all other bids and readvertise for the purpose of buying the houseboat needed with a liberalization of the specifications in order that a larger number of bids may be received."

Secretary Roper, at a conference at which were present Director Patton, Mr. Kerlin and Solicitor Trimble, asked me why I had not concluded the purchase of the *Tropic* since it appeared that Mr. Pack's bid offering the boat was the lowest received by the Bureau. I said:

"Mr. Secretary, I will answer your inquiry in the language of Comptroller General McCarl: 'This transaction indicates a lot of skulduddery and those who are responsible for it are either unusually dumb or else dishonest, and in either event should not be trusted with the Government's business.'"

I called attention that the two changes in the specifications which admitted only the *Marylin* into the bidding made the specifications fit that boat like an egg-shell fits an egg, also that the specifications missed the exact dimensions of the *Tropic* by only thirteen one-hundredths of one per cent and the desire of the Bureau to select the *Tropic* was so obvious that Mr. J. H. Wells was able to point out that fact before the opening of the bids. I mentioned that there was no peculiarity in the boats required, their main purpose being to furnish floating homes for the surveying units, and charged there was favoritism in drawing the specifications. I then explained that I had entered into an agreement to purchase the *Yowana*. Secretary Roper said he was no boat expert and since there seemed to be considerable difference of opinion concerning the nature of the boats required he thought a committee of experts should pass on the question. He appointed Solicitor Trimble, Mr. Kerlin and Assistant to the Secretary, Chester H. McCall, a committee to secure a committee of experts from the Navy.

One of the Department's officials who knew the

details of the controversy said to me: "They are getting ready to 'gang up' on you; they are not going to get experts from the Navy but from the Coast Guard where Captain Patton has many close friends." Soon Mr. Kerlin came in and asked if I had any objection to securing the committee of experts from the Coast Guard instead of the Navy. I told him I did not and expressed confidence that a committee of high school graduates could intelligently pass on the question.

The Coast and Geodetic Survey is a semi-military organization and is closely associated in its duties with the Coast Guard.

The committee appointed from the Coast Guard consisted of Commander F. A. Hunnewell, Chief of the Bureau of Construction, and a designer of ships for the U. S. Coast Guard for 20 years; Lieutenant Commander C. L. Jennison, naval architect of many years' experience; and Lieutenant Commander Ly. Awalt, specialist in engines, machinery, et cetera.

This committee called at my office on April 19 and Commander Hunnewell, who acted as spokesman, said that they had talked with Mr. Kerlin and Captain Patton and had gone thoroughly into the specifications upon which the bids were based. He then said:

"I have known and worked with Captain Patton for many years and I am for him right or wrong. Now I suggest that this controversy should be compromised. You want to buy the *Yowana* and Captain Patton wants to buy the *Tropic*. Why not buy both boats and then you each will have the boat you want?"

I replied:

"Why, I thought you gentlemen came here as a committee

of experts to pass on the specifications. I did not know you were to act as arbitrators."

The Commander replied:

"Mr. Secretary, you have not been in Washington very long. After you have been here a while you will find that it will be much easier for you and much more pleasant if you will let the bureau chiefs have their way and run their bureaus."

I told the Commander that the trouble with his proposed compromise was that the price asked for the *Tropic* was several thousand dollars too high.

He and the other committeemen agreed that the *Yowana* would answer the needs of the Coast and Geodetic Survey and that it substantially complied with the specifications. The three committeemen signed the following communication addressed to me:

"We have been glad to look over the specifications prepared by the Coast and Geodetic Survey for the purchase of two cruising houseboats.

"We have talked to Captain Patton, Mr. Kerlin, and you concerning the specifications. It is our opinion that the houseboats *Tropic* and *Yowana* should be purchased by the Government, believing that both of them fully answer the needs of the Coast and Geodetic Survey as exhibited by the specifications which were issued."

Prior to the meeting of the committee, Captain Patton in a memorandum to Secretary Roper, defending the justness of the specifications, stated:

"We endeavored to prepare a reasonable specification and leave it to the judgment of the arbitrators as to whether we succeeded."

After the committee had given its opinion, Captain Patton sent a memorandum to Mr. Kerlin stating:

"The three Coast Guard officers have just told me of the compromise they propose and which they will report to you.

"If the *Yowana* is as good as Mr. Mitchell says she is, she is of course a good buy, and we would be glad to take her. However, I do think we should have an opportunity to inspect her before she is finally accepted."

On April 25, Captain Patton sent a memorandum to Secretary Roper stating the vessels were *urgently needed*:

"I am informally advised that you have given your approval to the purchase of the houseboats *Tropic* and *Yowana* subject to determination through inspection by the Coast and Geodetic Survey and the latter vessel is in a satisfactory condition, and subject further to receipt of a formal opinion from the Comptroller General concurring in the purchase of both vessels. * * *

"Each of these vessels is urgently needed. I therefore recommend

"(a) that the *Tropic* be purchased forthwith without asking the Comptroller General for a reiteration of the concurrence already given.

"(b) that the *Yowana* be inspected immediately by this Bureau as required in the specifications."

When it was learned that I would not agree to the "compromise" suggested by the committee from the Coast Guard and accept the *Tropic*, because the price involved was excessive, Solicitor Trimble and his assistant and Captain Patton and his assistant spent a half-day in a conference, to which I was not invited, trying to find some method by which the purchase of the *Yowana* could be stopped. Mr. Trimble finally concluded that the contract I had made for the purchase of the *Yowana* was null and void because the *Yowana* did not comply with the length/beam ratio of the Bureau's specifications. He recommended the

proper course would be "to reject all bids and readvertise under new specifications which will afford an opportunity for open competitive bidding."

Secretary Roper then sent me a memorandum stating that in view of Solicitor Trimble's opinion "I request calling for new bids be pursued at once under readvertisements and revised specifications."

I protested Solicitor Trimble's rejection of the *Yowana* in a memorandum to Secretary Roper reading as follows:

"* * * Your request has been complied with and will be pursued as expeditiously as possible.

"I cannot permit this matter to pass without entering my vigorous protest to Solicitor Trimble's finding for the following reasons:

"1. Because it is technical to an extreme degree and ignores the opinions of Director Patton, who stated to me that the *Eala*, which is a duplicate of the *Yowana*, would do the work of the Bureau; because it ignores the finding in writing by the committee of eminent experts from the U. S. Coast Guard that the *Yowana* does come within the specifications and will 'fully answer the needs of the Coast and Geodetic Survey, as exhibited by the specifications which were issued;' and last, but by no means least, because it ignores the opinion of Comptroller General McCarl, who is not to be considered a novice in such matters since he is, himself, a lawyer and probably has analyzed more specifications than any ten men in Washington, that the *Yowana* does come within the specifications.

"2. Because the record shows plainly that from the standpoint of every practical consideration the *Yowana* comes within the specifications, that every step in its purchase was approved in advance by Comptroller General McCarl, and that to refuse to accept the tender of the *Yowana* is against the best interests of the United States."

Captain Patton was authorized to readvertise for

bids under liberalized specifications, the details of which I indicated. Thereupon, he concluded it would be inadvisable to buy any boats at all since it was questionable whether there would be any use for them after June 30, 1935, and expressed his views on the subject in a memorandum, dated May 11th, to Secretary Roper:

"In view of the delay which has occurred I question the wisdom of a further attempt to procure these boats. You will recall that the principal intent in procuring them was to facilitate execution of the emergency work carried on with Public Works funds. You will recall that in my memorandum dated September 30, 1933, in which I discussed the feasibility of undertaking a larger program than we then had in mind, I stressed the fact that in my opinion the expensive equipment which it would be necessary for us to purchase would not be a good investment unless it could be used for 18 months or more prior to termination of the program.

"That program is scheduled to terminate on June 30, 1935. At a reasonable estimate it would be the middle of July or later before these boats could become available. By that time we will be halfway through the program of summer work upon which we recently have been compelled to enter without reference to these boats. To utilize the boats on it would necessitate radical readjustments concentrating on the boats the personnel which is now distributed in small units here and there along the coast, which in turn would mean to leave unfinished work now in progress.

"Therefore the maximum time during which we could count on using the boats would be a few months only. The prospects beyond June 30, 1935 are too indefinite to justify us in procuring boats with the view to their use subsequent to that date.

"I therefore desire to withdraw my requisition for the procurement of these vessels."

The course suggested by Captain Patton was approved by Secretary Roper, and thus ended the attempt

to buy two luxury yachts for the Coast and Geodetic Survey.

Mark Captain Patton's complete change of front. On April 25th, when he believed the *Tropic* and *Yowana* were to be acquired, he stated in his memorandum to Secretary Roper "*each of these vessels is urgently needed.*" On May 11th, just 16 days later, when he found the *Tropic* was not to be purchased, he recommended to Secretary Roper that the attempt to procure boats be abandoned, saying: "*The prospects beyond June 30, 1935 are too indefinite to justify us in procuring boats with the view to their use subsequent to that date.*"

The proposition to buy these luxury yachts at the price recommended by the Bureau of \$51,500 *when their use beyond June 30, 1935* was, to use Captain Patton's own language, "*too indefinite to justify us in procuring boats with the view to their use subsequent to that date,*" shows with what wanton disregard public officials are willing to squander the taxpayers' money.

The lack of frankness employed by the Bureau to secure the allotment of \$60,000 for these yachts made me suspect they were not really needed. Secretary of the Interior Ickes, Chairman of the Public Works Administration, told me that if he had known \$60,000 was to be used in the purchase of yachts he would not have approved that part of the allotment. But with the Chief and other officials of the Bureau insisting the boats were urgently needed I could not take the responsibility of saying they were not necessary. For me to have intelligently passed upon that question would

have required several weeks of intensive study of the affairs of the Bureau, but because of my manifold duties I had no time for such investigation. Until Captain Patton withdrew his request for the boats I could not know the Bureau had no permanent need for them.

I had repeatedly urged Secretary Roper to appoint at least one new official in the Coast and Geodetic Survey so that we might learn something about its affairs from one who had not been responsible for their creation. After the incident of the yachts I urged him to appoint Mr. A. G. Patterson as my administrative assistant. Mr. Patterson had been the chief investigator for the Senate Committee which investigated ocean mail and air mail contracts. He had demonstrated most unusual ability as an investigator and was just the type of man needed to go through the bureaus, but the Secretary declined to approve his appointment stating he feared the public might think we were getting ready to investigate the Department of Commerce.

This case, in my opinion, clearly indicates the necessity for frequent changes of bureau chiefs so that new blood, new methods, new ideas, fresh from the business world, may be injected into the bureaus and a chance given to uncover practices and methods of waste, extravagance, and favoritism to private interests.

On July 11th, two months after the case was closed, Mr. Whittelsey came into my office and offered to sell the *Marylin* for \$20,000, which was \$8,500 less than the amount the Bureau had recommended for her purchase.

In several memorandums I advised Secretary Roper of all the details of this transaction, as set forth above.

No person was dismissed, demoted, censured or criticized by him for the skulduddery indulged in by officials of the Bureau whom Comptroller General McCarl said were either too dumb or too dishonest to be trusted with the Government's business, and all are still going strong in the Bureau of Coast and Geodetic Survey.

The \$60,000 was transferred to the Bureau of Navigation and Steamboat Inspection. That Bureau bought the *All Alone*, a magnificent luxury yacht about 105 feet long, for \$59,000 and a motor launch for \$1,000. Thus, the two boats came within the total of \$60,000. The *All Alone* replaced the *Eala*, belonging to Ambassador Bingham.

CHAPTER X

FINES, FORFEITURES AND FAVORITISM IN THE BUREAU OF NAVIGATION AND STEAMBOAT INSPECTION

When I took charge of the Bureau of Navigation and Steamboat Inspection Mr. A. J. Tyrer had been Assistant Director of the Navigation Division for many years. Applications for relief from fines and forfeitures imposed for violation of the navigation laws which come before the Department number about 10,000 per annum. It was necessary for me to fix the penalty and sign the finding in every case.

I found there was no requirement that applications for relief be made under oath. The custom was for an applicant requesting mitigation or remittance of penalties simply to send a letter stating his reasons. I directed that no application should be accepted unless it was made under oath and on a form which I prescribed.

For years a large percentage of the penalties were remitted entirely and many others were mitigated to \$5.00. I was informed this rule was applied for the benefit of first offenders but it had been extended to such limits that I issued instructions that thereafter no penalties should be mitigated more than ninety per cent except in unusual cases. Mr. Tyrer objected to this procedure and to the order requiring an affidavit in each case, saying he thought both plans would prove embarrassing to the Department. He said that while great leniency had been shown to first offenders for

many years, that second offenders *were harshly dealt with*. He explained his office had a very complete card index of all persons against whom penalties had been imposed and each case was checked against this index to ascertain whether the person named was a second offender.

In June, 1934, there came to my desk four cases, at the same time, against the Pacific Steamship Lines, Ltd., for violations of Section 4377, Revised Statutes of the United States. These cases were accompanied by a letter from Mr. Tyrer's office for my signature, addressed to the Collector of Customs at San Francisco, California, in whose jurisdiction the cases arose, directing the entire remission of the penalty of forfeiture of vessels which had been assessed. I asked Mr. Tyrer why he proposed to remit the entire penalties and he stated that in his opinion the violations were only technical, that the purpose of the corporation was to avoid the payment of certain pilot fees imposed by the laws of the State of California amounting to \$1,000 in each case. However, a few days later he stated he had talked with the Washington representative of the corporation and had ascertained the saving did not amount to that much.

While these four cases were pending, eight more cases violating the same section came to my desk, making a total of twelve cases then pending against this corporation.

The records in Mr. Tyrer's office disclosed this corporation had been granted full relief from a penalty of forfeiture on October 6, 1933, in a case involving the SS. *H. F. Alexander* for violating the same section.

The order granting the relief contained the following:

"In view of the circumstances and since this seems to have been the first offense of this nature reported against the owners of the vessel, the penalty in this case is remitted."

Even if it be conceded that Mr. Tyrer had overlooked the last mentioned violation the four cases which came in together showed not only a second offense, but a third and fourth offense as well.

The section of law in question was enacted more than one hundred years ago and has been carried right along without amendment in all revisions of the Revised Statutes since. Thus it is apparent that Congress has been much impressed with the importance of its provisions.

It is evident from these facts that the Pacific Steamship Lines, Ltd., not only violated this section on thirteen different occasions but evaded the laws of the State of California relative to the fees of pilots an equal number of times. It is perfectly apparent that the violations were entered into knowingly and deliberately. The Pacific Steamship Lines, Ltd., is one of the largest steamship corporations on the Pacific Coast and is constantly advised by competent counsel. I was of the opinion that the penalties in these cases should be sufficient to impress on this corporation the importance of observing this statute, and I felt it would be against public policy to permit it to make a profit from these violations. The penalties from which the corporation asked relief provided for the forfeiture of the five steamships *Emma Alexander*, *Ruth Alexander*, *City of Los Angeles*, *Dorothy Alexander* and *H. F. Alexander*, some of the vessels being involved in more than one

violation. I directed the penalties be mitigated on the basis of \$1,000 for each offense, or a total of \$12,000.

I granted the Pacific Steamship Lines, Ltd., a rehearing. The attorney said the corporation believed \$100 in each case, or \$1,200, would be a fair penalty to be assessed. He declined to file a written brief but promised to furnish the amount the corporation had saved by evading the laws of California providing for the employment of pilots, but did not do so. I reaffirmed the judgment of \$12,000. After I left the Department these twelve cases were settled by the payment of \$25 in each case, or a total of \$300.

REMITTANCE OF FINES THROUGH POLITICAL INFLUENCE

I found the general practice prevailing of greatly mitigating or entirely remitting fines and forfeitures if request for such action came from a Senator, Congressman, or other influential person. I disapproved this practice as soon as it came to my notice, as the following from a memorandum to Mr. Joseph B. Weaver, Director of the Bureau, will show:

"The attached letter which was prepared for my signature addressed to Honorable J. Buell Snyder, M. C., House of Representatives, Washington, D. C., concerning penalties assessed against John Johnston, Lemont Furnace, Pennsylvania, contains the following paragraph:

"These violations were due no doubt to carelessness, and in view of the circumstances and your interest in the matter, I take pleasure in informing you that the penalties have been mitigated to the sum of \$15."

"The language of this paragraph indicates clearly that because of Congressman Snyder's interest the penalty in this case was mitigated to a greater extent than it would have been otherwise.

"It should be and must be the rule of the Bureau of Navigation and Steamboat Inspection in assessing penalties in navigation cases that uniform treatment be accorded all applicants for relief whose cases are similar regardless of whether or not the applicants are able to secure the intervention in their behalf of United States Senators, Congressmen, or others of influence."

On June 20, 1934, Secretary Roper, at the request of Mr. Tyrer and without giving me a hearing, revoked my order providing that fines and penalties should not be reduced more than ninety per cent except in unusual cases. This permitted the return to the plan of assessing fines, or rather failure to assess fines, which was in vogue upon my taking charge of the Bureau.

One of the complaints, included in my charges of irregularities in the Department of Commerce which the Senate Commerce Committee briefly investigated, was the manner of handling fines and forfeitures and the favoritism shown in the Bureau of Navigation and Steamboat Inspection. On this subject Mr. Weaver stated to the Committee:

"Mr. Mitchell's order was put into effect with the result that strong protests were received from various parts of the country, including a *State Senator from Maryland, the Governor of Florida, and others of like position.*"

A "COURTESY" APPOINTMENT URGED

All bills reaching the House of Representatives concerning the activities of the Department of Commerce are referred to the Committee on Merchant Marine and Fisheries, of which Congressman S. O. Bland of Virginia is Chairman. This gives Mr. Bland great influence with the officials of the Department.

Congressman Bland actively urged the appointment

of Miss Jacqueline Krah to the position of junior clerk in the Bureau of Navigation and Steamboat Inspection at \$1,440 per annum.

The District of Columbia has far more than its quota of government employees and Secretary Roper had ruled that no further appointments were to be made from the District of Columbia and that states, many of which had a very small per cent of their quotas, should be given preference.

When Miss Krah's personnel recommendation sheet came before me I noted that she was a resident of the District of Columbia, that the position which was being created was not under civil service and was a minor one which could be filled by any one of a large number of those from states with unfilled quotas whose applications were pending in the Department. I, therefore, disapproved Miss Krah's application, stating:

"Since this is not a civil service appointment this is an occasion when the appointment can be made from almost any state, especially when the place to be filled is that of junior clerk."

It developed that the position was being created as a courtesy to Congressman Bland and Senator Carter Glass and the Bureau had no need whatever for Miss Krah's services. Mr. A. C. Mills, in charge of patronage for the Department, explained the situation very vividly in a memorandum to Solicitor Trimble, Chairman of the Personnel Committee, as follows:

"Regarding the proposed appointment of Miss Jacqueline Krah and Mr. Mitchell's memorandum attached, I think you should be familiar with the whole story in this case.

"You will remember that several months ago the Bureau of Navigation proposed to employ Miss Krah as a file clerk. This was at the suggestion of Congressman Bland. At that time

we were trying to find a job for Mrs. Susanne Conn who had a minor child to support and who you will remember was brought to our attention by the White House. Although the Bureau had practically promised Congressman Bland at that time to give Miss Krah this position which was largely created for her, we overruled them and put Mrs. Conn into the job. Later Congressman Bland wrote about it several times and has also telephoned me on three or four occasions. Senator Glass also has asked for her appointment and you know how Secretary Roper feels about trying to do something for Senator Glass who has repeatedly stated that he is not getting any consideration from this Department.

"In view of all this, and more or less in desperation of the possibility of finding a general clerical job for this girl, I asked Mr. Weaver if they had any suggestions to make or any possibility of using her. They apparently were able to do so and made up this recommendation for her appointment largely as a result of my request, probably because of a misapprehension that this had or would receive the approval of the (personnel) committee, and particularly because of the aforementioned circumstances regarding Senator Glass.

"We have already written some days ago letters to both Senator Glass and Congressman Bland, over the Secretary's signature, stating that Miss Krah would be put on. I do not see how, under the circumstances, we can go back on this. While Mr. Mitchell's memorandum is undoubtedly correct, this is not a new position in the ordinary sense but is one that has been almost entirely created by the Bureau for this girl's special benefit, because of the interest of both Senator Glass and Congressman Bland, who, I believe, it is to the interest of the Department to serve, particularly when it can be done in such a minor position as is this."

Miss Krah's application was considered by the Personnel Committee and when I strenuously objected to creating a position for her or anyone else whose services were not needed, Mr. Weaver, Director of the Bureau, was very insistent that she be appointed because he said

Congressman Bland was interested in the appointment and "all our bills must go to Congressman Bland's committee." He asked if I knew of any more influential man in Congress than Mr. Bland. I replied that I thought all that was entirely beside the question and had nothing whatever to do with the merits of the case.

A few days later Congressman Bland telephoned and impatiently asked if I realized he was very much interested in Miss Krah's appointment. I replied that I fully realized it but I would not approve any courtesy appointment, no matter who desired it. He insisted he did not want a courtesy appointment but that he knew there was plenty of work in the Bureau for Miss Krah. I told him I was just as certain there was no need for her services. The appointment was not made.

CHAPTER XI

GRATUITIES AND BRIBES IN THE NATIONAL CAPITAL

Gratuities and bribes to Government officers and employees in the National Capital range from compacts for secretaries to officials, to the \$100,000 paid former Secretary of the Interior Albert J. Fall for the lease of the naval oil reserve lands. At what point a gratuity develops into a bribe is difficult to ascertain. They are both of the same family and the object of their bestowal is the same, namely, to secure to the donor some service or favor which otherwise could not be secured. The motive is not an expression of personal friendship, but a desire to ingratiate. To many Government officials and employees these gifts are embarrassing and a reflection upon their self-respect. Many other men who would indignantly resent the offer of a cash bribe will be just as effectively influenced by the gift of free steamship, airplane, or bus transportation, or even an occasional gala dinner, box of fruit, bottle of whiskey, box of cigars, or a plump turkey at Christmas time.

The sentiment of Washington, at least during the present generation, has been opposed to prosecutions of public officials for bribery. Occasionally a Senator, Congressman or other official has been prosecuted, but where one has been punished many have gone unwhipped of justice. This is mainly because it is considered that prosecutions will hurt the party in power, or results from that intensely fraternal feeling which is ever present in Washington between politicians and

officials of both parties. While a constant battle goes on in public between Democratic and Republican officials, in private they are very friendly and an incoming Administration will not prosecute the malefactors of the outgoing Administration. This sentiment and the knowledge that it exists encourages members of the incoming Administration to be very liberal with the taxpayers' money and lax in their methods.

The whole country applauds the great success and effectiveness with which the G-men of the Department of Justice have rounded up the last kidnaper and bank robber in the country. Special acts of Congress aided in their success. The completeness with which this task has been performed clearly demonstrates that crime exists in this country only because the authorities are willing for it to continue. While the G-men were running to earth kidnapers and bank robbers, depredations of far more importance to the public welfare, resulting from conspiracies to defraud the Government entered into by public officials and malefactors of great wealth, have remained undisturbed right under their very noses in the City of Washington.

Senator Burton K. Wheeler of Montana had the reward which awaits a public official who seeks to expose fraud and corruption in the Government very forcibly brought home to him. He undertook to investigate former Attorney General Daugherty's administration of the Department of Justice. The Senate Committee went to Mr. Daugherty's home town, Washington Court House, Ohio, and demanded that the bank in which he was interested produce certain records which it was claimed would disclose official corruption in

Washington. The bank secured a temporary injunction against the Committee. By the time the Committee succeeded in having the injunction proceedings dismissed the records which it desired to inspect were burned. In the meantime the Department of Justice was investigating Senator Wheeler. His telephone was tapped, he was shadowed, and he finally was indicted and forced to trial on a charge of conspiracy. The jury acquitted him without leaving the jury-box.

If the Department of Justice desires to aid in the enforcement of the criminal laws of the United States, and particularly in reference to conspiracies to defraud the Government, it should immediately secure from Congress the reenactment of the law providing that the statute of limitations in criminal cases shall run six years. This act was repealed a few years ago by a provision making the limitation three years. Even if an incoming Administration really desired to prosecute crimes involved in conspiracies to defraud the Government transpiring in the preceding Administration, the three-year statute of limitations would run in many cases before investigation and action could take place. It takes a year or more for an Administration to get organized, so that offenses committed in the first two or three years of the prior Administration would be barred by the three-year limitation before they could be reached.

On my first Christmas in office I received from the Black Diamond Steamship Company a box of 100 cigars which retail at 50 cents apiece. I learned that officials and employees of the Shipping Board had received approximately a wagon load of cigars in the guise of

Christmas presents. I returned the cigars which I had received and issued an order addressed to the chiefs of all bureaus under my jurisdiction directing the return of all gratuities in the form of Christmas presents or otherwise and the refusal of all proffered gratuities in the future.

As a result of my order I received many commendatory letters and there was considerable favorable editorial comment. One of my correspondents called my attention to the teachings of Thomas Jefferson who opposed the acceptance of gifts by public officials and employees. Two editorials from papers published in Washington, where this practice had long continued, are quoted, one from the conservative *Washington Post* and the other from the liberal *Washington News*:

"GIFT CIGARS"

"Ewing Y. Mitchell, Assistant Secretary of Commerce in charge of the United Shipping Board Bureau and five other divisions, has demonstrated his suitability for high office by returning the Christmas gift of the Black Diamond Steamship Company and ordering all his subordinates to do likewise.

"Black Diamond, which figured in the Senate investigation of mail contract subsidies in a not-so-favorable episode involving alleged loans and 'extra labor' payments to Steve O'Connor, son of a former chairman of the Shipping Board, sent a 'wagonload' of cigars to officials and employees of the bureau. One official received seven boxes of 50 cent cigars; Mr. Mitchell, who was not appreciated so highly, got only one box. His secretary, who does not smoke cigars, got an 'inexpensive compact.' The Assistant Secretary promptly ordered the return of all presents and, sending back his own remembrance, said in a letter: 'I do not think it good practice for a Government official to accept gifts, even of small value, from those with whom he has, or may have, business relations.'

"The *Post* does not subscribe to the statement of H. B. Arledge, agent for the company, that Mr. Mitchell was making trouble over a trivial matter. On the contrary, Mr. Mitchell was eminently correct and set an example that should be universally followed, aside from the fact that it is illegal for a Government employee to accept gifts calculated to influence favorable action in behalf of the donor. If the Black Diamond Company feels it desirable to employ blandishments in its relations with Government employees, the conclusions drawn will not be flattering to that organization." (From the *Washington Post*.)

"FOUR-BIT CIGARS"

"The Black Diamond Steamship Corporation is reported to have sent a wagon load of holiday 50-cent cigars to officials and employees of the U. S. Department of Commerce's Shipping Bureau, formerly the Shipping Board. Assistant Secretary of Commerce Ewing Y. Mitchell ordered their return.

"'It is not good practice,' he wrote the donors, 'for a Government official or employee to accept gifts, even of small value, from those with whom he may have business relations.'

"Too bad, of course, to nip the holiday spirit and dampen the expansive mood of this concern. Certainly the Black Diamond company had a right to its warmth of feeling toward the Government. Recent testimony before a senatorial committee showed that in 1931 it bought 11 vessels for \$1,343,000 that cost the Government \$18,000,000 to build. It was shown to be benefiting from mail subsidies of \$1,300,000 a year. It was in arrears in payments to the Government. The most cordial relations existed between the Black Diamond and former Government officials.

"It is not suggested that the U. S. Government can be bribed with even a car-load of 50-cent cigars, subtly persuasive as their aroma is to a discriminating smoker; nor that the company's motives were improper. But, as Mr. Mitchell said, 'it is not good practice.' " (From the *Washington Daily News*.)

Thirteen days after I issued the order I was relieved

of jurisdiction over the Shipping Board Bureau by Secretary Roper.

The contention is made that as long as the President of the United States accepts gifts, minor officials and employees should be accorded the same privilege. It would be a grand day for the Government if a President would announce that he would not accept gifts of any kind and that no official or employee would be permitted to accept any during his Administration. He might even go further and say that the official business of the Government must be carried on in the offices provided for that purpose and not to the accompaniment of wine, women and song in hotel suites.

I called Assistant Secretary Dickinson's attention to my order on gratuities and suggested that he apply the same rule to the bureaus under his supervision, but he declined. This resulted in leaving half of the officials and employees of the Department of Commerce free to accept gratuities while the other half was prohibited from doing so. Although Secretary Roper did not extend the order to Mr. Dickinson's bureaus *he filed a charge against an official of one of my bureaus for having violated my order.*

The following is a copy of the order to bureau chiefs, which later was modified to permit key men in the Air Commerce Bureau to accept air line transportation in order that they might inspect airplanes and familiarize themselves with conditions surrounding operation of transport planes in the air:

"I do not think it good practice for a Government official or employee to accept gifts or gratuities, even of small value, from

those with whom he has business relations or with whom he may have business relations.

"Moreover, the Criminal Code of the United States expressly prohibits any such officer or employee from accepting a gratuity with intent to have his decision or action on any question or matter influenced thereby. It may be argued by any officer or employee of the Government who is willing to accept gratuities from such sources that he has no intention of having his decisions, concerning matters coming before him, influenced as a result. Those who are familiar with public affairs know that the object of the giving of gratuities is to influence favorable action by those who receive them and that such object is, to a greater or less degree, obtained in a large percentage of the cases.

"The Section of the Criminal Code bearing on this question reads as follows:

" 'Whoever, being an officer of the United States, or a person acting for or on behalf of the United States, in any official capacity, under or by virtue of the authority of any department or office of the Government thereof * * * shall ask, accept, or receive any money, or any contract, promise, undertaking, obligation, gratuity, or security for the payment of money, or for the delivery or conveyance of anything of value, with intent to have his decision or action on any question, matter, cause, or proceeding which may at any time be pending, or which may by law be brought before him in his official capacity, or in his place of trust or profit, influenced thereby, shall be fined not more than three times the amount of money or value of the thing so asked, accepted, or received, and imprisoned not more than three years; and shall, moreover, forfeit his office or place and thereafter be forever disqualified from holding any office of honor, trust, or profit under the Government of the United States.' (Sec. 117, 35 Stat. 1109.)

"Please take *very prompt action* to call the contents of this memorandum to the attention of all officers and employees serving under you, by means of mimeographed copies, or otherwise, to the end that all of those, whether male or female, who are now in possession of gratuities from any such sources, or who may receive them hereafter, may immediately return them to the donors thereof."

TWO CASES OF GRATUITIES

At the time the New Deal took office, Mr. F. C. Hingsburg for several years had been one of the three representatives of the Department of Commerce on the Interdepartmental Committee for Aeronautics. He also had been chief engineer in charge of locating airways throughout the country and the installation of radio and other aids to air navigation for the Bureau of Air Commerce, then known as the Aeronautics Branch.

It was developed by the Special Senate Committee which investigated air mail contracts that Colonel Paul Henderson, former official of United Aircraft Company, had made a gift of about \$1,300 to Mr. Hingsburg's wife. Included in the evidence before the Committee was the following telegram sent by Colonel Henderson to Mr. L. D. Seymour, National Air Transport, Chicago:

"Within a few days announcement will be made of a committee made up of officials, Commerce and Post Office, to determine any action on new air mail route. One member will be Hingsburg. This ought to settle our troubles."

I immediately secured a copy of the evidence and, on May 8, 1934, recommended to Secretary Roper that Mr. Hingsburg be dismissed from the service, and the Secretary approved the recommendation. Following is a copy, in part, of my recommendation and his approval:

"From the testimony of Colonel Henderson it appears that he stated in a letter in substance that his company was peculiarly fortunate in having Mr. Hingsburg on the Interdepartmental Committee. It also shows that Colonel Henderson bought 200

shares of Aviation Securities stock at \$23.50 per share and gave his note to cover the transaction to a bank; that the stock was sold at \$30.00 a share and at Colonel Henderson's direction the note was paid from the proceeds of the sale; and that he gave to Mrs. Hingsburg a check representing the profits of the transaction amounting to approximately \$1,300.

"Neither Mr. Hingsburg nor Mrs. Hingsburg, according to the testimony, advanced any money or any other thing of value in connection with the transaction.

"F. C. Hingsburg is still carried on the rolls of the Department at a salary of \$6,000 per annum, and is occupying the same position, according to my information, which he held at that time.

"The newspapers have printed excerpts from this testimony and have commented upon the transaction.

"In view of the foregoing I recommend that F. C. Hingsburg be separated from the service as soon as it can be done."

"Approved: May 9, 1934

Daniel C. Roper."

Mr. Hingsburg was occupying a Civil Service position and it was necessary before he could be dismissed that a statement of the charges be served upon him so that he might have an opportunity to answer. After this had been done Mr. Kerlin called to my attention that I had not complied strictly with the rules of the Civil Service in serving the statement. After I filed the charges on Mr. Hingsburg, Mr. Kerlin and officials of the Bureau became very active in his behalf. Mr. Hingsburg was a leading member of Mr. Kerlin's Department of Commerce machine.

Just at this time Secretary Roper, accompanied by Mr. McCall, was leaving for a trip west and to Alaska. When I had prepared the new statement and assembled the evidence to support the charges, at his request I wrote Secretary Roper, on June 18, 1934, and

sent to him at Seattle for his approval, a memorandum and the papers in the case, weighing about one and one-half pounds. My memorandum stated, in part:

"The question in this case is whether the acceptance of a gratuity by a public official or employee from a citizen with whom he is having official business relations or may have official business relations, constitutes conduct upon the part of such official or employee prejudicial to the interests of the Government and calculated to bring the public service into disrepute and, further, whether a gratuity received by the wife of an official or employee shall be considered in the same light as though received by the official or employee himself. Section 117 of the Criminal Code makes it a criminal offense for a public official or employee to accept a gratuity with the intent to permit it to influence his action in official affairs. Whenever it can be proven that such intent exists, the official or employee is guilty of a crime, but those who have any familiarity with public affairs know how very difficult it is to establish such intent, although in many cases it no doubt exists. It, therefore, becomes most important that no gratuities shall be accepted by officials or employees. If it could be ascertained in every case whether the acceptance of a gratuity had or had not influenced the action of the official or employee receiving it, it then would be easy to separate the sheep from the goats, but since in most cases that is not possible, the question arises whether the principle involved in the acceptance of gratuities by officials or employees shall be approved or condemned.

"In this case the gratuity was accepted by the wife of an official, but that certainly can make no difference if it were accepted with the husband's knowledge. Colonel Henderson testified that he discussed the stock transaction with Mr. Hingsburg and in the statements submitted by Mr. Hingsburg and Mrs. Hingsburg, dated May 12, 1934, it is not denied that he knew of the transaction.

"If he is permitted a resignation which will allow his re-employment by some other Department the effect will be, in my opinion, to whitewash the entire transaction.

"If there is any one thing which the people are demanding from the New Deal it is that favoritism, graft, and corruption on the part of public officials and employees must end.

"The whole question is: Are public officials or employees directly or through their wives to be permitted with impunity to bring the public service into disrepute by the acceptance of left-handed bribes under the guise of gratuities?

"I recommend that Mr. Hingsburg be dismissed from the service immediately."

I heard nothing further about the matter until I responded to a "hurry up" call for a meeting of the Personnel Committee on December 17th of that year, when a very pointed letter was read from Senator Hugo L. Black, Chairman of the Special Senate Committee, inquiring why those officials of the Department of Commerce, whose conduct testimony before the Committee had shown to be highly irregular, had not been dismissed long ago. Mr. McCall, a member of the Personnel Committee, inquired to whom the Senator referred.

I said:

"Well, he refers at least to Admiral Hutch I. Cone and Mr. John W. Barnett of the Shipping Board, and to Mr. F. C. Hingsburg, formerly of the Aeronautics Branch and now serving in the Lighthouse Bureau."

Mr. McCall expressed surprise that Mr. Hingsburg was still in the service and said Secretary Roper had received my communication in Seattle and had written me returning all the papers in the case with instructions that Mr. Hingsburg be dismissed at once; and he asked why he had not been dismissed. I explained that since I had had no communication on the subject, nor had received the return of any of the papers in the case, I

had concluded that Secretary Roper had decided to take no action in the matter. (I never did receive the letter which Mr. McCall said was written me, nor any of the papers. All of Secretary Roper's correspondence goes to the general files of the Department but a copy of this letter was never received there.) Thereupon the Committee unanimously passed a resolution recommending to Secretary Roper the dismissal of Mr. Hingsburg with prejudice. A person dismissed "with prejudice" is forever ineligible to hold a position under the Government unless the "prejudice" is removed.

Mr. McCall sent me a memorandum reading:

"The Personnel Committee approved at its December 17th meeting the dismissal of Captain Hingsburg with prejudice. Will you please provide copies of the original papers and charges so that this data may be immediately available for the preparation of the displacement charges?"

Before I could furnish the papers requested, I was informed that Mr. Hingsburg would be given a hearing before the Personnel Committee. As the hearing opened, Assistant Secretary Dickinson remarked that Senator Copeland had telephoned that "he was very much interested in Mr. Hingsburg." I asked Mr. Dickinson: "What has that to do with the merits of the case?"

After a long hearing at which Mr. Kerlin represented Mr. Hingsburg, actively assisted by the Chief and other officials of the Lighthouse Bureau, I offered a motion that Mr. Hingsburg be dismissed with prejudice. The motion was favored by Mr. Labert St. Clair and myself; Dickinson, Trimble and McCall opposing it. Mr. Dickinson offered a motion that Mr.

Hingsburg's salary be reduced \$1,000 a year, but the motion did not receive a second. Trimble, St. Clair and McCall carried a motion making the penalty a reduction in salary of \$3,000 per annum.

A few days later Mr. McCall informed us at another Personnel Committee meeting that Secretary Roper intended to discuss the Hingsburg case with President Roosevelt, and the Secretary requested that the Committee recommend a reduction of \$1,000 per annum in Mr. Hingsburg's salary so that he could present the recommendation to the President. Mr. St. Clair, whose ancestors were Scotch and who did not seem to care a whit whether or not he held his job, said:

"What kind of a damned arrangement is this, anyway? Because Secretary Roper has not the time to investigate personnel matters he appointed us a Committee to make recommendations to him. He can adopt our recommendations in full, or in part, or he can throw the whole of them into the waste basket. We made a very thorough investigation of this matter and recommended to the Secretary a reduction in salary of \$3,000. Now the Secretary *recommends back to us that we recommend back to him* that the reduction be only \$1,000. For my part I am unwilling to do it."

At which Mr. McCall exclaimed:

"But, Bert, you do not understand! The Secretary wants this recommendation to present to the President!"

To which Mr. St. Clair replied:

"I do understand—I heard you the first time—but that makes no difference with me."

Dickinson and McCall voted for the motion and Trimble, who showed indications of favoring the

motion until St. Clair chided him for reversing himself without hearing additional testimony, finally joined St. Clair and me against the motion. Thereupon the Committee prepared a recommendation of a reduction of \$3,000 in salary which was presented to the President by Secretary Roper. The President directed a reduction of \$1,500 be made.

Although Secretary Roper had approved the dismissal of Hingsburg, with Senator Copeland pulling for him and Senator Black pulling against him, it was not to be expected he would take the responsibility for a decision, so he shifted it to the President.

THE CASE OF JOHN W. BARNETT

During the five months I had charge of the Shipping Board Bureau I used every effort, without success, to induce Secretary Roper to dismiss Mr. John W. Barnett, Chief of the Division of Construction and Finance, because for years he had shown undue favoritism to shipping companies. He had under his supervision all of the loans made to shipping companies by the Shipping Board which aggregated more than \$100,000,000, and he was charged with the responsibility of recommending procedure concerning their collection. His salary was \$10,000 per annum.

Mr. Barnett was a protege of Admiral Hutch I. Cone and as a consequence, and because of his tendency unduly to favor shipping companies, he had many powerful friends among the shipping fraternity, particularly in the International Mercantile Marine group, among whom were Mr. Vincent Astor, Mr. Kermit Roosevelt, Mr. P. A. S. Franklin and Mr. J. M.

Franklin. Admiral Cone always was especially solicitous for the welfare of this group.

After its formation I filed a complaint with the Personnel Committee charging Mr. Barnett with accepting free steamship transportation and failure properly to safeguard the Government's interest concerning payment of loans to the Shipping Board. The charges, in substance, were:

1. In 1932, both the American Line Steamship Company and the Atlantic Transport Company were 100 per cent subsidiaries of the International Mercantile Marine Company. The Shipping Board passed a resolution directing that the collection of the notes of these two companies in the amount of \$411,700, which were past due on September 30, 1932, should proceed unless such notes were endorsed by the International Mercantile Marine Company and thus make the parent company liable with the makers of the notes for their payment. An endorsement of the notes by the International Mercantile Marine Company would have greatly enhanced the Government's security for their payment. However, after a conference between Mr. Barnett, Admiral Cone and Mr. Cleatus Keating, attorney for the International Mercantile Marine Company, Mr. Barnett recommended to the Shipping Board that forbearance be granted in the collection of the notes *without the endorsement of the parent company*, and the Shipping Board accepted his recommendation. By December 31, 1934, the amount past due on these notes had increased to \$679,600, and the total unpaid balance was \$7,769,800.

While the Atlantic Transport Company was unable

to meet the payments due the Shipping Board on its notes in 1932, nevertheless, during the years 1929 to 1932, it had paid to its parent company, the International Mercantile Marine, more than \$3,500,000. By this system of juggling finances, often practiced by interlocking companies, the effect of these payments was simply that the International Mercantile Marine took money out of one of its pockets and put it in another, leaving nothing in the pocket of the Atlantic Transport Company to which the Shipping Board looked for payment. The payments made to the parent company were:

Dividends	\$1,000,000.00
Commissions	2,002,214.27
Wharfage	298,175.00
Supervision of Stevedoring.	221,963.17
<hr/>	
Total.....	\$3,522,352.44

2. A few months after the concessions extending their indebtedness were granted these two subsidiaries of the International Mercantile Marine, Mr. Barnett accepted free transportation for a trip to Europe and return for his wife and son from two other subsidiaries of the International Mercantile Marine, the Baltimore Mail Line and the United States Lines Company. When the passes were issued both companies were large debtors to the Construction Loan Fund of the Shipping Board, which was, as stated, under Mr. Barnett's supervision.

3. With his knowledge and consent his wife made a cruise on free transportation to the West Indies and

return, on vessels owned by the United Fruit Company. This company also was a large debtor to the Shipping Board's Construction Loan Fund when the passes were issued.

No. 4953

United States LINE

#121

The Purser

S.S. Pres. Roosevelt sailing Aug 10 1933

This PASS entitles the holder, Mrs. J. W. Barnett & son
 (1 adults, 1 children) to a free Saloon Class passage from London
 to New York by the S.S. Pres. Roosevelt with transportation
 from the port of landing in _____ Class on _____ tickets to _____

Date June 28 1933United States
Atlantic

Facsimile of pass issued Mrs. Barnett and son for return trip from Europe.

4. The Shipping Board had sold the vessel *Perry L. Smithers* to the Booth Fisheries Company which became bankrupt in 1932, owing the Shipping Board a balance of \$32,625 on the purchase price. The Shipping Board ordered a foreclosure of its mortgage and collection of this balance. After the foreclosure had been ordered, the Shipping Board, acting on Mr. Barnett's recommendation, approved the sale of the vessel to another company, the Booth Fisheries Corporation of Delaware, and approved a further sale of the vessel by the latter company to the Northland Transportation Company for \$80,000. From the receipts of this sale \$47,375 was paid the Booth Fisheries Corporation of Delaware, but the order to collect the amount due the Shipping Board was ignored and

the plan recommended by Mr. Barnett was to continue the mortgage without reduction, permitting the Northland Transportation Company to retain the \$32,625 due the Shipping Board. I refused to approve the transaction and returned the case to the Shipping Board for review with the result that the amount of the mortgage was collected in full from the Northland Transportation Company.

5. The American Tankers Corporation was in default to the Shipping Board for payment of principal and interest due on its construction loan. On account of this condition certain moneys received by the corporation were paid into a joint account and could only be expended with the consent of the Shipping Board, the object being to conserve as much of the account as possible for payment on the past due indebtedness. Three days after Christmas of 1933, Mr. Barnett recommended that there be released to this company \$500 from the joint account to cover payment for its "confidential Christmas gratuities." His recommendation was rejected. Just what is meant by "confidential Christmas gratuities" is not very clear. Evidently the company did not mean Christmas presents to its own employees for there would be no occasion to make them "confidential." It is barely possible that the gratuities were for officials and employees of the Shipping Board.

The Personnel Committee voted unanimously to recommend to Secretary Roper that the charges be served upon Mr. Barnett and if sustained that he be dismissed, a majority of the Committee recommending that such dismissal from the service might be for "administrative reasons."

I filed with Secretary Roper a minority report protesting against assigning "administrative reasons" for Mr. Barnett's dismissal, saying :

"In view of the official record of said John W. Barnett, on what theory is he to be handled in a kind and gentle manner? If he is without guilt, why turn him out? If he is guilty as charged, why dismiss him in a manner which would make it possible for him to secure employment immediately in another branch of the Government?"

At this juncture Mr. Weaver, Director of the Bureau of Navigation and Steamboat Inspection, agreed that Mr. Barnett might take a transfer to a position in his Bureau. Secretary Roper requested the Personnel Committee to furnish him a recommendation that Mr. Barnett be transferred to the position in the Bureau of Navigation and Steamboat Inspection. The sentiment of the Committee was 4 to 1 against making the recommendation; Assistant Secretary Dickinson being the only member to favor the proposition. Thereupon, the Secretary submitted to President Roosevelt the question of whether Mr. Barnett should be transferred or dismissed from the service. The President decided against the transfer. Mr. Barnett was permitted to resign.

HEAPING BURDENS ON THE PRESIDENT

Everyone understands the great burden the President of the United States must bear, but few know the tremendous number of trivial matters which are unloaded upon him. The cases of Hingsburg and Barnett which Secretary Roper took to him for decision are an indication. Transactions of more importance than these are decided daily by bureau chiefs.

CHAPTER XII

THE SACRED AMERICAN MERCHANT MARINE RACKET

Every American thrills with patriotic ardor when he contemplates an American Merchant Marine sufficiently adequate to carry the Stars and Stripes into every seaport of the world.

Every citizen who has given the subject any thought appreciates the vast importance of having American goods shipped in American bottoms so that the means of transporting our commerce may be retained in our own hands and thus prevent American commerce from being at the mercy of the merchant marines of foreign countries.

Every citizen who has given the subject any consideration knows that it is of utmost importance for this country always to maintain a Merchant Marine which will be ready and adequate at all times to serve as a naval or military auxiliary in time of war or national emergency.

There is so much of patriotism and so much of business in the sentiment favoring the upbuilding and maintenance of the American Merchant Marine that it has become to the people almost a sacred tenet. As a result of this sentiment the Federal Treasury has been an easy prey to those selfish interests which, in the guise of patriotism and service to the people, have carried on one of the greatest rackets in the history of this country. The American Merchant Marine is as old as the Government and is not to be confused with New Deal agencies.

In the past 18 years the taxpayers of this country have expended \$3,782,296,843 for the purpose of creating and maintaining a Merchant Marine. The annual report for 1934, Shipping Board Bureau, shows the total appropriations for that Bureau to June 30, 1934, were \$3,651,343,288, and the records of the Post Office Department show the total mail pay to June 30, 1935, less poundage rates, was \$130,953,555; total \$3,782,296,843.

The magnitude of the amount involved is strikingly illustrated by its comparison with the number of minutes, hours, days, months and years which have elapsed since the birth of Christ and which have elapsed since the signing of the Declaration of Independence.

Since the birth of Christ the amount involved would equal:

\$3.72 per minute for 1,017,885,600 minutes.

\$222.95 per hour for 16,964,760 hours.

\$5,350.80 per day for 706,865 days.

\$162,865 per month for 23,223½ months.

\$1,954,372 per year for 1,935.3 years.

\$3,782,296,843 total for 1,935.3 years.

Since the signing of the Declaration of Independence the amount involved would equal:

\$45 per minute for 84,039,840 minutes.

\$2,700 per hour for 1,400,664 hours.

\$64,809 per day for 58,361 days.

\$1,973,029 per month for 1,917 months.

\$23,676,350 per year for 159¾ years.

\$3,782,296,843 total for 159¾ years.

In the sacred name of the American Merchant Marine, public officials, with a prodigality which is astounding, have poured into the swollen fortunes of the racketeers of the shipping fraternity millions upon millions of dollars. For all this great expenditure America has today only a small number of ships, most of which are obsolete. Pertaining to this subject Postmaster General Farley reported to President Roosevelt, January 11, 1935:

"A survey of world tonnage presented by the Shipping Board Bureau as at June 30, 1934, has been compiled and furnished to this Department. It shows that we are woefully lacking in new, modern vessels, especially cargo vessels. * * * This country ranks lower in cargo vessels of 2,000 gross tons or over, built within the last 10 years, than any other country having any shipping except Spain. We have nine vessels in that class, built within the last 10 years, with a tonnage of 53,000 tons; Great Britain has 735 such vessels with a tonnage of 3,648,000 tons, or 80 times as many of such vessels; Japan has 74 with a tonnage of 382,000 tons; and even Norway has 130 such vessels that have been constructed within the past 10 years. * * * The United States has spent or become obligated to spend several hundred millions of dollars. *Through maladministration or inefficient administration we find ourselves with less than 2 per cent of the world tonnage of new and modern cargo ships and scant provision made for the replacement of our fleet, which has about outlived its usefulness.*"

In the report to the Senate of the Special Committee on Investigation of Ocean Mail Contracts, dated June 18, 1935, after referring to the figures of the Postmaster General, quoted above, it is stated:

"This is the pitiful result of a program which involved the expenditure of hundreds of millions of dollars, and contemplated an American Merchant Marine of the best equipped and most suitable types of vessels, sufficient to carry the greater por-

tion of the commerce of the United States and serve as a naval or military auxiliary: *This result is failure.* And when we bear in mind, as we must, that a Merchant Marine must renew itself continually if it is to remain a factor in national defense and international trade, *the magnitude and pity of that failure is almost beyond belief.*

"Instead of an adequate American Merchant Marine it (the Merchant Marine Act) has produced unconscionable exploiters, intent upon wringing every possible penny from the public purse, while giving an absolute minimum of service in return. It has facilitated every conceivable form of holding company, subsidiary, affiliate, and associated corporate hocus-pocus. It has financially assisted favored operators in the protected and semiprotected trades against competition limited to unsubsidized American-flag enterprises. While it has given birth to a situation to delight unscrupulous, self-seeking individuals, it has caused the marine subsidy of this Nation with real reason to become known as 'pie.' "

Former Comptroller General of the United States J. R. McCarl for years shouted from the housetops that many of the actions of the Shipping Board involving millions of dollars were without any legal authority and Congressional committees have denounced such actions in similar terms. Notwithstanding these protests, New Deal officials whose duty it was to institute grand jury investigations into these transactions sat supinely by while the three-year criminal statute of limitations was allowed to run against nearly every one of them.

Although this vast squandering of public moneys has clearly indicated undue favoritism to private interests at the Government's expense and often has indicated the presence of corruption, no man has spent as much as one day in jail and no person has yet been

called upon to face a grand or petit jury on account thereof.

There still remain only a few of these Shipping Board transactions not barred by the criminal statute of limitations and the Department of Justice, according to the latest report prepared on these cases, now proposes to slam the door in the face of those few in which grand jury investigations may show violations of the criminal law, with one exception in which the measly sum of one hundred eighty dollars (\$180) is involved. This case relates to repairs to the SS. *Youngstown* and came to light after my charges were filed. Officials of the Department of Justice investigated transactions involving millions of dollars and finished by recommending action in a single case involving one hundred eighty dollars (\$180). Ostensibly they started out after big game, to round up a herd of buffalo, and they bring home a gnat.

The findings of the Department of Justice to date are in direct conflict with the findings of Senators Black, King and McCarran, members of the Special Senate Committee to Investigate Ocean Mail Contracts, as detailed in their report to the Senate. These three Senators are lawyers and have had extended and important experience in the practice of the law. Before coming to the Senate, Senator Black established an enviable record as a public prosecutor at Birmingham, Alabama; Senator King served as associate justice of the Supreme Court of Utah; Senator McCarran served as district attorney, justice and chief justice of the Supreme Court of Nevada, and as president of the Nevada Bar Association and vice president of the American Bar Association. These Senators devoted

more than a year's time to the investigation of Shipping Board transactions and ocean mail contracts. A large number of witnesses were examined under oath in their presence and much documentary evidence was introduced at the hearings over which they presided. After making this thorough investigation they reported to the Senate the following finding:

"The subject of this investigation and report is the unsuccessful and tragically disappointing attempt of the United States to create and maintain an adequate privately owned American Merchant Marine. The American Merchant Marine is neither adequate nor is it in any true sense privately owned. Responsibility for this country's failure to secure that which it sought and for which it was willing to expend and has expended hundreds of millions of dollars of taxpayers' money must lie at the door of three classes of people. First, this burden of costly failure rests upon the enactment of an ill-advised compromise law. Second, *upon certain public officials who flagrantly betrayed their trust and maladministered those laws.* Third, *upon those individuals who publicly posing as patriots, prostituted those laws for their private profit.*"

I find that Webster's unabridged dictionary defines the words "maladminister," "flagrantly" and "betray" as follows:

Maladminister: The prefix "mal" indicates bad; evil; wrong; defective; imperfect. (Many words containing the prefix "mal" are self-explaining, the prefix simply adding the meaning "defective" or "evil," as—maladminister.)

Flagrantly: Openly scandalous; notorious; heinous. (Synonyms: atrocious; disgraceful; flagitious; monstrous, nefarious; outrageous; scandalous; shameful; shocking.)

Betray: (1) To deliver to an enemy; to be a traitor to. (2) To disclose a matter in breach of confidence. (Synonyms: deceive; cheat; circumvent; defraud; delude; dupe; ensnare; entrap; impose upon; mislead; trick.)

This is the finding made by Senators Black, King and McCarran concerning the public officials of the Shipping Board and Post Office Department who were responsible for all the transactions covered by my charges relating to Shipping Board affairs, and who were responsible for the execution of the ocean mail contracts now in force. In direct conflict with this finding, the Department of Justice, according to the latest report prepared on these cases, acquits of any wrong-doing all the officials of the Shipping Board responsible for these transactions.

Evidently nothing short of positive proof of the actual payment of money by shipping contractors to Shipping Board officials will convince the Department of Justice that there has been any indication of the violation of the criminal laws worthy of a grand jury investigation. The Department of Justice dismisses with a kiss and a gentle wave of the hand all these ugly transactions which are bristling with evidence indicating collusion between shipping contractors and Shipping Board officials and which have resulted in unheard of profits to the contractors and the loss of millions of dollars to the Government.

Congress has endeavored to protect the Treasury by putting into the Criminal Code several drastic statutes which were designed to punish anyone who attempts or succeeds in defrauding the Government. The enforcement of those statutes is the duty of the Executive and Judicial branches of the Government. It is particularly the duty of the Department of Justice to take action when facts indicating that the United States has been defrauded or that a fraud has been attempted are brought specifically to its attention.

Section 80, Title 18, U. S. Code, provides :

*"Whoever * * * for the purpose and with the intent of cheating and swindling or defrauding the Government of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder, shall knowingly and wilfully falsify or conceal or cover up by any trick, scheme or device a material fact, or make or cause to be made any false or fraudulent statements or representations * * * shall be fined not more than \$10,000 or imprisoned not more than ten years, or both."*

Section 82, Title 18, U. S. Code, provides :

"Whoever shall enter into any agreement, combination, or conspiracy to defraud the Government of the United States, or any department or officer thereof, or any corporation in which the United States of America is a stockholder, by obtaining or aiding to obtain the payment or allowance of any false or fraudulent claims, shall be fined not more than \$10,000 or imprisoned not more than ten years, or both."

No action of any character can be brought on the Government's behalf without the consent of the Attorney General. The President, of course, is the Attorney General's superior and can control his actions. Neither has caused a single action to be brought, either civil or criminal, against shipping companies dealing with the Shipping Board or under contract with the Post Office Department to carry the mail.

The Special Senate Committee to Investigate Ocean Mail Contracts in its report to the Senate makes the following statement :

"Evidence has been developed before your committee indicating that the Government is entitled to recover very large sums by reason of overpayments made to certain contractors with the United States Shipping Board and the Post Office Department. The amount of such recoveries can be determined by investiga-

tions carried on by the Department of Commerce, Post Office Department, and the Department of Justice. *It is assumed that these agencies will pursue such inquiries and recoveries with diligence and dispatch."*

In the face of the record of non-action by the Departments of Commerce and Justice involving Shipping Board transactions it is difficult to understand why Senators Black, King and McCarran, who are responsible for this report, assume that "these agencies will pursue such inquiries and recoveries *with diligence and dispatch!*"

President F. D. Roosevelt in his inaugural address on March 4, 1933, said:

"Only a foolish optimist can deny the dark realities of the moment, yet our distress comes from no failure of substance. We are stricken by no plague of locusts. * * * *Practices of the unscrupulous money-changers stand indicted in the court of public opinion rejected by the hearts and minds of men.*"

But the unscrupulous money-changers have not yet been indicted by any action taken by the Department of Justice!

The President's inaugural address continues:

"The money-changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in *the extent to which we apply social values, more noble than mere monetary profit.*"

Whether the money-changers have, in fact, fled from their high seats in the temple of our civilization is a question I will not discuss here. However that may be, they have not yet fled, nor have they had any occasion to flee, from their high seats in the Shipping Board Bureau of the Department of Commerce.

The President's inaugural address continues:

"Small wonder that confidence languishes, for it thrives only on honesty, on honor, on the sacredness of obligations, on faithful protection, on unselfish performance; without them it cannot live. Restoration calls, however, not for changes in ethics alone. This nation asks for action, and action now."

Evidently the Department of Justice, by its non-action in these cases, is perfectly willing that confidence still shall continue to languish!

**LAWYER FROM FIRM REPRESENTING SHIPPING COMPANY
NOW REPRESENTS THE GOVERNMENT**

If any further evidence were required to show that the racketeers of the shipping fraternity have a strangle hold on the Department of Commerce and the Department of Justice, the appointment of Mr. James W. Morris as Assistant Attorney General in charge of the Claims Division of the Department of Justice including marine cases, would fully furnish it.

In 1925, Mr. Morris formed a law partnership with Mr. Wm. M. Taliaferro for practice at Tampa, Florida. This partnership continued until Mr. Morris became a special assistant to the Attorney General, August 7, 1933, assigned to the Claims Division, and his name still is carried in the name of the firm Taliaferro, Morris & Carter. On November 6, 1935, he was promoted to the position of Assistant Attorney General *in charge* of the Claims Division.

In 1925 the directors of the Tampa-Interocean Company appointed Mr. Wm. M. Taliaferro, with whom Mr. Morris was just then forming a law partnership, attorney for the company at a salary of \$6,000 per year. Not only is Mr. Wm. M. Taliaferro at-

torney for the company but he is a member of the board of directors, as well. His brothers, Mr. E. P. Taliaferro and Mr. T. C. Taliaferro, also are members of the board of directors, the latter having served since the company's organization.

The Tampa-Interocean Company and Lykes Brothers-Ripley Company are subsidiaries of Lykes Brothers Steamship Company. The three companies constitute one general organization.

Mr. F. A. Morris is a member of the boards of directors of Lykes Brothers Company and Tampa-Interocean Company. He has received from these companies and their subsidiaries and affiliates the total of \$186,644 within recent years. The companies embraced in the Lykes Brothers organization probably have profited more inordinately from their contracts with the Shipping Board and Post Office Department than any other shipping combination with which those two Departments of the Government have dealt.

The report of the Special Senate Committee does not specifically identify the instances in which certain public officials "*flagrantly betrayed their trust and maladministered*" the shipping laws, but it is certain that among them are the six transactions now before the Department of Justice concerning the Lykes Brothers Company, Tampa-Interocean Company and Lykes Brothers-Ripley Company, which involve large sums of money and the possibility of criminal prosecutions.

Now I ask, with 150,000 lawyers in this broad land of ours, is it not just a little strange, if the Department of Justice intends to deal fairly with the taxpayers of the country in the investigation of these and other

Shipping Board and Post Office Department cases, that Mr. James W. Morris should have been selected by President Roosevelt and Attorney General Cummings to have charge of marine cases when for years he has been so closely associated through his law firm with the Lykes Brothers organization?

Here I call attention to a paragraph taken from my memorandum to Secretary Roper of March 30, 1935, and reproduced on page 54, Senate Commerce Committee Hearings:

"Favored steamship owners and operators have plundered the Government of millions of dollars through the old Shipping Board. These malefactors did not hesitate to use misrepresentations, fraud, and chicanery to accomplish their ends. One of their favorite back-door rackets is the planting of their own men in key positions in the Shipping Board."

This practice of racketeers, whose liberty and fortunes are in jeopardy, of placing their own men in key governmental positions continues under the New Deal. For several hundred years of English history the expression "having a friend at court" has been well understood.

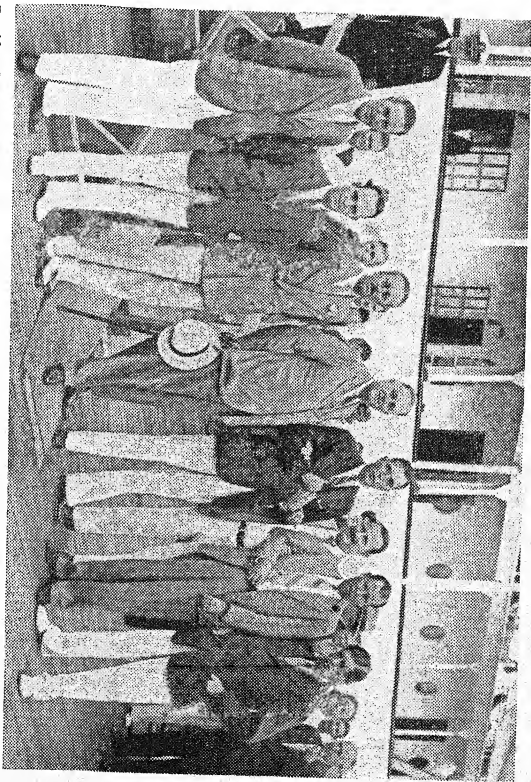
Some of the instances of racketeering on the part of shipping companies are explained in detail in subsequent chapters.

CHAPTER XIII

THE MURDER OF THE PRIDE OF THE AMERICAN MERCHANT MARINE

The giant U. S. S. *Leviathan*, for years known around the world as the pride of the American Merchant Marine, has been framed, its reputation ruined and its life ended. All of this results from a contract entered into by high officials of the Government on one hand and officials of a subsidiary of the International Mercantile Marine Company on the other, the object of which is to permit the permanent retirement of the vessel and the cancellation of a debt amounting to \$1,720,000 owed to the taxpayers of the United States. Vincent Astor, intimate friend of President Roosevelt and owner of the palatial yacht *Nourmahal* upon which the President has been on numerous fishing trips, Mr. Kermit Roosevelt, a cousin of the President, Mr. P. A. S. Franklin and Mr. John M. Franklin, who are among the principal stockholders of the International Mercantile Marine, are among the chief beneficiaries of the contract.

Early in 1929 the United States Shipping Board sold the 11 vessels of its service known as the American Merchant Lines and the United States Lines, regarded as its prize fleet, to the United States Lines, Inc., for the high bid of \$16,082,000. Of this amount the price paid for the *Leviathan* was \$6,782,000. The fleet was comprised of the *Leviathan*, *George Washington*, *America*, *Republic*, *President Harding*, *President Roosevelt*, and five others. It plied between New York



President Roosevelt about to embark for a vacation on the Astor yacht *Nourmahal*. To the right of the President are Mr. Vincent Astor and Mr. Kermit Roosevelt.

and the ports of the United Kingdom, Ireland, France, and Germany.

The United States Lines, Inc., was organized by Mr. P. W. Chapman, a Chicago banker, and Mr. Joseph Sheedy, a former Shipping Board official, and they sold its stock to the amount of \$3,313,334 to 4,700 investors scattered in 47 states.

While the price of \$16,082,000 for these 11 great ships was a give-away price the regular shipping companies had been so accustomed to such remarkable "bargains" from the Shipping Board that the largest amount any one of them bid was \$10,000,000. The Chapman organization was regarded as an interloper by the regulars and their good friends among Shipping Board officials and its purchase of the fleet was highly resented.

It has been the usual condition among shipping companies which have bought vessels from the Shipping Board to default in their payments and there was no surprise when the Chapman interests became pressed for funds in the summer of 1931. This organization had paid over \$8,650,000 on its obligations to the Board including payments on the new ships, *Manhattan* and *Washington*, on which construction had started, the total cost to be about \$20,000,000, of which \$15,000,000 was being advanced by the Shipping Board.

Following the usual course it applied to the Board for relief in the way of extension of its payments but received a very cold reception. It had lost caste with the regular shipping companies and their good friends among the Shipping Board officials because of its "outrageously" high bid of \$16,082,000. The regular

shipping companies, greedy for these grand vessels and the important routes they covered, and their Shipping Board friends jumped on Chapman and his 4,700 stockholders like a chicken on a bug.

For months a fierce fight raged between the International Mercantile Marine, the Dollar and the Dawson shipping groups for these ships. In this contest the International Mercantile Marine had the active support of its old ally Admiral Hutch I. Cone, one of the Shipping Board commissioners, while some of the other commissioners supported the other groups. Finally these contending elements concluded it would be to their mutual advantage to get together and they joined in the organization of a new corporation, the United States Lines Company (of Nevada). In the negotiations with this consolidated group the Shipping Board agreed to accept the return of the *George Washington* and *America*. The remaining nine vessels of this magnificent fleet were knocked down to this group for the paltry sum of \$3,170,900. Later the International Mercantile Marine interests acquired practically all of the stock of the new company.

All Mr. Chapman and his 4,700 stockholders saved from the wreck was 600,000 shares of no-value, non-voting, junior preference stock in the new company. This stock has proven to be worth only a few cents per share.

In vain did Mr. Chapman plead with the Shipping Board for the concessions granted the new company. These concessions, refused to Mr. Chapman, were:

Permission to return the *George Washington* and *America* and receive credit of \$2,800,000, which re-

duced the Chapman debt from \$11,257,400 to \$8,457,400;

Giving a discount on the Chapman debt of \$5,286,500, leaving a balance of \$3,170,900 to be paid;

Providing that nothing should be paid on either principal or interest for three years;

Providing the debt should be paid in 12 annual installments, beginning after three years, with interest at 4½ per cent.

Chief among the arguments to induce the Board to discount the Chapman indebtedness more than \$5,000,000 was the allegation by the International Mercantile Marine crowd that to operate the *Leviathan* seven voyages per year for five years, as the contract provided, would entail a loss of \$600,000 per year, or \$3,000,000 for the full period. The record shows conclusively there was no real basis then, and there is none now, for the estimate that the loss for operating the *Leviathan* for the period would approximate \$3,000,000. The Shipping Board acceded to the argument and allowed the discount of \$3,000,000 as a bonus for operating the *Leviathan* but provided in the contract a schedule of liquidated damages to be paid the United States in the event of failure to make the prescribed number of voyages.

The records show that the 40 voyages made by the *Leviathan* under Mr. Chapman's management resulted in a gross profit, before depreciation and administrative expenses, of \$70,245 per voyage. Under the management of the new company, United States Lines Company (of Nevada), the liner made 16 voyages with an average gross loss, including administra-

tive expenses but not an allowance for depreciation, of \$40,751 per voyage. Excessive inter-company charges, commissions and wharfage helped to swell these losses. For instance, a commission of \$27,000 per voyage was paid the International Mercantile Marine Company and its subsidiary, the Roosevelt Steamship Company.

After procuring this favorable contract from the Shipping Board the International Mercantile Marine group secured from former Postmaster General Brown a subletting of the Chapman mail contracts.

The contract between the International Mercantile Marine group and the Shipping Board was dated October 30, 1931. From that date to December 31, 1934, less than \$300,000 was paid on the purchase price of the *Leviathan* and the eight other ships but during that period the purchasers received from the United States, besides \$301,397 covering three items, the aggregate for transportation of mails alone the sum of \$8,591,968, or a total of \$8,893,365. By reason of the *Leviathan* alone the purchasers received an aggregate of \$1,080,214.

The motives of public officials who indulge in the wanton disbursement of public funds with a frequency that is appalling are often difficult to fathom. It is seldom the taxpayer has an opportunity to look behind the scenes. The splendid work of the Special Senate Committee which investigated ocean mail contracts has thrown considerable light on these transactions. This Shipping Board contract was prepared by Mr. Chauncey G. Parker, its general counsel, who held \$10,000 of the International Mercantile Marine Company's bonds. Postmaster General Walter H. Brown

was the holder of over 4,000 shares of stock in the International Mercantile Marine Company.

An illustration of the business methods of the Shipping Board is shown by its accepting the return of the *George Washington* and *America* at an average price of \$1,400,000 and the selling of the *Leviathan* and eight other ships for an average price of \$352,322.

Mr. R. M. Hicks, an official of the International Mercantile Marine Company, testified before the Special Senate Committee that the *Leviathan* was insured for \$4,500,000. The total cost of the fleet of nine vessels was \$3,170,900, so the amount of the insurance on the *Leviathan* alone was more than 40 per cent in excess of the cost of the whole fleet.

The *Leviathan* was the only super-liner of the American Merchant Marine. During the World War this great ship, which had been built by Germany in 1914, was forced by the English into the port of New York for safety. Under the rules of war she was required to dock here for the duration of the war. Her German name was *Vaterland*. She was at that time the largest, fastest and most elegant ship ever built. When the United States entered the war she was seized and used as a transport to carry our soldiers to France. She carried 15,000 soldiers at a trip and made a trip every ten days.

In the adjustment of war claims with Germany the German Government was allowed a credit of \$13,688,000 for the *Leviathan*. In 1922 she was completely reconditioned at a cost of \$9,805,000, making a total of \$23,493,000 invested by the United States Government in this vessel. According to the general rule in

use ships are good for 20 years' service but many last much longer; the Bureau of Lighthouses has some that have been in service 40 years. The complete reconditioning added ten years or more to the life of the *Leviathan*, extending it at least to 1942, completely modernized her and made her the finest luxury liner afloat.

At the time of the purchase by the International Mercantile Marine Company and associates of the *Leviathan* and the eight other ships, October 30, 1931, the International Mercantile Marine Company owned and/or operated 45 vessels flying the British flag; and it then owned and/or operated only 25 vessels flying the American flag. The nine ships of the *Leviathan* fleet were operating in competition with some of these British flag ships. The *Leviathan* was in direct competition with the British White Star Line ship *Majestic*. After the purchase of the *Leviathan* fleet the number of American flag ships was increased to 34.

In view of this situation it is apparent the International Mercantile Marine Company had a tremendous interest in securing these ships but it seems incredible that the Shipping Board would deliver them to a company so largely interested in foreign flag vessels. The following tabulation taken from the Special Senate Committee's report (page 4078) is most illuminating in this connection:

Vessels Owned and Operated by the International Mercantile Marine as at Dec. 31, 1932

Operated Under	Vessels Owned	Vessels Agency	Total Vessels	Gross Tons
British flag . . .	36	9	45	575,439
American flag..	23	11	34	381,900

	Owed to Governments	Gov't. Debts Past Due	Investment of I.M.M.
British flag. . .	A-\$ 1,409,090		\$19,612,036
American flag.	B- 32,290,336	B-\$827,100	13,339,982

A-Great Britain; B-United States.

Observe from the above tabulation the great difference in the financial obligations of the International Mercantile Marine to Great Britain and the United States. This shipping company was operating 45 British ships and *owed the British Government only \$1,409,000 with nothing in arrears*, and at the same time it was operating only 34 American ships but *owed the United States \$32,290,000, or about 23 times as much, with \$827,000 in arrears*. In the face of these facts, how can it be doubted that large sums of the American taxpayers' money went into the operation of British ships in direct competition with the American Merchant Marine?

These 45 foreign ships were owned and operated by the International Mercantile Marine through the Leyland Line, Atlantic Transport Company, and White Star Line.

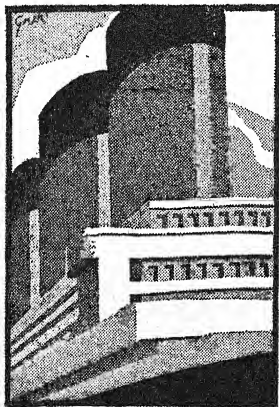
As long as the *Leviathan* plied between New York and British ports she was operated at a profit but soon after she came under the control of the International Mercantile Marine her destination was changed from Southampton to Bremen, Germany. This change was made because the *Leviathan* cut in heavily on the business of the British White Star Line's super-ship *Majestic*. From that time the *Leviathan* operated at a loss in competition with the *Europa* and *Bremen*, German super-liners.

Admiral Hutch I. Cone had been a Shipping Board commissioner for several years prior to the incoming of the Roosevelt Administration. During his service he was the active partisan of the International Mercantile Marine. His term expired with the incoming of the New Deal and Mr. P. A. S. Franklin, Mr. John M. Franklin and Mr. R. Stanley Dollar all endeavored to have him retained and made Chairman of the Board, and at the same time they were suggesting to him that they be relieved of their obligation to operate the *Leviathan*.

Before the New Deal was a week old, Mr. Kermit Roosevelt made a trip to Washington. He told Admiral Cone that as soon as the new Shipping Board was confirmed application would be made to have the *Leviathan* laid up. Admiral Cone said he was entirely in accord with this and if he were on the new Board he would be prepared to deal with it immediately. Moreover, Mr. Kermit Roosevelt and his associates did not want new Shipping Board commissioners who might set aside the outrageous contract by which the sale of the *Leviathan* fleet was made.

Admiral Cone and two retired Navy officers who had never served on the Board were appointed commissioners by President Roosevelt. Admiral Cone was made Chairman and completely dominated the new Board. Shortly after the confirmation of the commissioners by the Senate the *Leviathan* was ordered laid up for 1933. But that was not all—the *Leviathan* was berthed at a New York dock at a cost to its owners of \$2,000 per month. The Shipping Board very graciously spent \$16,000 of the Government's money dredging

the Shipping Board's dock at Hoboken, N. J., to make it deep enough for the *Leviathan* to enter and then allowed her to occupy the dock free of charge. Nothing whatever was done about the \$900,000 liquidated damages due the Government for the *Leviathan's* failure to make the voyages scheduled for 1933.



*Largest
Ship*

TO EUROPE

MAJESTIC

OCT. 27 later sailing Nov. 15
and her running mate

OLYMPIC

DEC. 22 later sailing Jan. 19

Services to Cherbourg and Southampton. Book through your local agent. His services are free.

WHITE STAR LINE

INTERNATIONAL MERCANTILE MARINE COMPANY

743 14th St. N.W., Washington

National 1645

From the Washington Star, October 17, 1933.



The giant LEVIATHAN, then the largest ship in the world, was America's only super-liner. Her lay-up in 1933 left the British MAJESTIC the largest vessel afloat. After the International Mercantile Marine was permitted by the Shipping Board to withdraw the LEVIATHAN it advertised the MAJESTIC as the "largest ship to Europe."

In 1931, the second year of the depression, the *Leviathan* carried more passengers than any other ship except the *Bremen* and *Europa*, and carried more first class passengers than either of those vessels. Although the *Leviathan* was laid up in 1933 the British ship the *Majestic* continued to run with no reduction in sailings. Thus it appears that the lay-up of the *Leviathan* in 1933 was beneficial to the business of the *Majestic*, a British vessel operated by the International Mercantile Marine!

In the spring of 1934, after the Shipping Board had become a bureau of the Department of Commerce, the International Mercantile Marine group applied to Secretary Daniel C. Roper to lay up the *Leviathan* for 1934, but after a thorough investigation of the subject he declined the request. The *Leviathan* was put back in service in 1934 and in the spring of 1935 application was made to have her permanently laid up and it was decided not only to do this but to waive the amount of \$1,720,000 due the United States as a result of her retirement.

United States Comptroller General J. R. McCarl has ruled the Shipping Board had no power in the first instance to waive \$5,286,500 due on these vessels by the Chapman interests. For fifteen years General McCarl was a veritable watch-dog of the Treasury. He knew every rat hole of governmental waste and extravagance and did not fail, insofar as his authority extended, to plug every one of them, often over the vehement objections of Senators, Cabinet Members and even Presidents. He has passed on the legality and analyzed the specifications of more contracts than

possibly any fifty men in Washington; he saved the Government untold millions of dollars. He denounced as illegal the sale of the *Leviathan* and other ships to the International Mercantile Marine's subsidiary and the attempt to waive the payment of \$1,720,000 due the Government on account of the withdrawal of the *Leviathan* from operation. In a letter to Secretary Roper from the Comptroller General it was pointed out that the International Mercantile Marine's subsidiary had received a subsidy of \$3,000,000 in 1931 from the Government to insure the continued operation of the vessel for five years and that "now it is proposed to subsidize the *non-operation* of the vessel for the remaining two years by waiving liquidated damages that would accrue for failure to operate the vessel in the years 1935-1936 to the extent of \$1,300,000 in addition to \$920,000 accrued for the years 1933-1934." The Comptroller General's total of \$2,220,000 was reduced by the company's note for \$500,000 payable in 12 *annual installments without interest*.

My ouster by the President called pointed attention to the retirement of the *Leviathan* and after wide publicity in the newspapers the Senate Committee on Commerce made a superficial and very faint-hearted investigation into the transaction. It had been alleged that the contract by the Shipping Board for the retirement of the great liner, dated March 18, 1935, was executed on the direct order of the President, and Secretary of Commerce Roper and his aids who appeared before the Senate Committee made every effort to show that the President's interest in the transaction was only incidental.

A copy of the memorandum from Mr. James C. Peacock, Director of the Shipping Board Bureau, to Mr. South Trimble, Jr., Solicitor for the Department of Commerce, was presented to the Senate Committee. It contained the following:

"* * * Yesterday Acting Secretary Dickinson after conferring with the President of the United States, told me that the President approved the withdrawal of the *Leviathan* on the following terms. * * *"

This memorandum and Peacock's statement before the Committee show that Assistant Secretary John Dickinson, as the Acting Secretary, is the person who conferred with and received the order from the President for the lay-up of the *Leviathan*. Therefore, it is a little strange that Secretary Roper, who took six of his aids with him to the Senate Committee hearing, did not produce Assistant Secretary Dickinson, the very man who conducted the negotiations with the President and knew all about the transaction. Chairman Copeland did not call him as a witness nor did Mr. Dickinson volunteer a statement to the Committee on the subject. However, Mr. Dickinson did tell me, before I left the Department, that the order of the President was the cause of the lay-up of the *Leviathan*.

The Committee on Commerce has not reported to the Senate on the *Leviathan* affair and probably never will.

If foreign Governments can afford to subsidize their luxury liners and complete new super-liners, such as the French *Normandie* and the British *Queen Mary*, and such vessels are found to be a desirable complement to their merchant marine, why should the United States

now retire defeated in its contest for first class business and be content with cabin liners?

SECRETARY ROPER'S ALIBI FOR LAYING UP SS. LEVIATHAN

Now, what is the alibi behind which Secretary Roper hides in connection with the lay-up of the *Leviathan*? He charges it is a "fire trap" and cannot be operated without endangering the lives of passengers and crew. The basis for this charge consists of "rumors" which he said had reached him. In his statement to the Senate Committee he said:

"It was reported to the Department that fear existed in the minds of passengers on these trips as to the safety of the *Leviathan*, some alleging that it was a fire trap. * * * Reports of the unseaworthy condition of the ship naturally had weight in prompting me to again consider the question of what to do with the *Leviathan*."

Secretary Roper has under his supervision the Shipping Board Bureau and the Bureau of Navigation and Steamboat Inspection which employ the best hull and machinery inspectors in the country. Moreover, the law requires that all vessels shall be put in drydock once a year and a thorough inspection made of them, also the regulations of the Department of Commerce provide that thorough inspections without drydocking shall be made every three months, all such inspections to be made by the Bureau of Navigation and Steamboat Inspection. In addition, the Shipping Board Bureau is required periodically to make inspections of all vessels upon which it holds mortgages, one of which is the *Leviathan*.

So, it is perfectly apparent that if any of the inspection reports on the condition of the *Leviathan* had even

hinted she was a "fire trap" Secretary Roper would have produced such reports at the Hearings of the Senate Committee.

Moreover, the application to lay her up in 1935 made no reference whatever to her being a "fire trap" or unseaworthy. The whole contention was that the company was losing money by her operation.

The testimony taken by the Special Senate Committee shows she was in good condition. Mr. John M. Franklin, an official of the International Mercantile Marine, testified:

"The CHAIRMAN: What was the condition of the *Leviathan* when she was laid up?

"MR. JOHN M. FRANKLIN: Excellent."

Equally unstable to the charge that the *Leviathan* was a "fire trap" is the allegation of benefit the Government will receive from the building of a liner of the *Manhattan* type the company agrees to construct. The Government is obligated to loan toward its construction about \$7,000,000 of the total estimated cost of \$10,000,000, providing the company supplies the balance. Since the company must furnish two vessels anyway, if it is to retain a lucrative mail contract with the Post Office Department, the building of the vessel, as Comptroller General McCarl has so well said, furnishes no consideration whatever to the Government for waiving the balance of \$1,720,000.

Under the agreement, the company was to enter into a contract for the construction of the new vessel by September 18, 1935, unless the time was extended by the Secretary of Commerce. The time has been repeatedly extended by Secretary Roper and is now ex-

tended to September of this year. The "joker" in the contract is that if the company cannot secure the necessary loan for the new vessel it pays no penalty for failure to construct it. If it is able to secure a loan and still does not build the ship it escapes with the payment of only \$1,000,000 in damages to the Government. So, even if it be assumed the President and Secretary Roper have authority to waive the payment of the \$1,720,000 due the Government under the original contract, in any event, the company will at least gain \$720,000 by the permanent retirement of the *Leviathan*.

The President in a message to Congress on March 4, 1935, denounced grafting by shipping companies and said lending money for shipbuilding should stop. He said in the message:

"Reports which have been made to me by appropriate authorities in the executive branch of the Government have shown *that some shipping companies have engaged in practices and abuses which should and must stop.* * * * Congress should terminate the practice of lending Government money for shipbuilding."

Just two weeks after this message was delivered and before Congress had an opportunity to act upon it, this contract, approved by the President, not only authorized a loan of approximately \$7,000,000 for shipbuilding to this corporation in which his intimate friends are interested but it also undertakes to waive liquidated damages due the Government of \$1,720,000.

CHAPTER XIV

A FAVORITE RECEIVES MANNA FROM THE SHIPPING BOARD

Remarkable results were obtained by shipping companies if they could exert sufficient influence on officials of the Shipping Board and/or Merchant Fleet Corporation. This chapter describes how, by the use of such influence, one company was coerced to make a clear gift of more than \$70,000 to a favored company which had earned not a single dollar of it.

The Shipping Board had tried several plans for operating lines of service to all parts of the world. These services were conducted through a Government corporation which it controlled, the Merchant Fleet Corporation.

One of these plans is known as the "lump-sum agreement." This arrangement provided a lump-sum payment for each voyage made by Shipping Board vessels in the hands of private operators. The theory of the lump-sum plan was that the operator was entitled to the return of all expenses and a fair profit on his investment. Under this form of contract the Shipping Board could readjust from time to time the amount of the lump-sum so that if the operator were not securing a reasonable profit the amount could be increased and if he were receiving too much the amount could be reduced. Operators were never permitted to sustain a loss but in every instance they were permitted to make large profits in addition to exorbitant expenses, includ-

ing high salaries of officials and excessive payments to subsidiaries.

The Tampa-Interocean Steamship Company operated Shipping Board vessels to China, Japan, Spain and Portugal. The Dixie Steamship Company operated Shipping Board vessels to Italy, Greece, Egypt, and the Black Sea. The two lines were not competing lines; they did not and could not, according to their respective agreements with the Government, carry cargo to the same ports or even to the same country.

The Tampa-Interocean Company had nothing to do with the operation of the Dixie Company; it had never booked any cargo for that line; had never solicited any passengers for that line; had no representation on the board of directors of that line; did not have any officers assisting in the operation of the line; and was never consulted as to the operation of the line. In fact, it was entirely foreign to the line except for the fact that it participated 50 per cent in the profits made by the Dixie Company.

It appears from the Hearings before the Special Senate Committee that the Dixie Company was compelled to accept this unusual arrangement because its officers were informed by representatives of the Fleet Corporation that unless they agreed to such arrangement the Shipping Board would withdraw the vessels from their line and turn them over to Lykes Brothers-Ripley Steamship Company, an affiliate of the Tampa-Interocean Company.

The contract between the Dixie and the Tampa-Interocean Companies provided that there should be a division of "profits or losses," but since no losses ever

had been sustained by an operator for the Shipping Board the possibility of any loss occurring was too remote to be of any moment. The arrangement of the division of the profits was approved by the Shipping Board, as was also the lump-sum allowance of \$9,500 per voyage.

The operation, which continued for about a year and a half, was a profitable one resulting in profits of \$142,671 from which the Tampa-Interocean Company received \$71,335 as its 50 per cent share.

The testimony of Mr. T. R. Hancock, an official of the Dixie Company, given before the Special Senate Committee, clearly shows the coercion used to secure such remarkable results for the Tampa-Interocean Company:

"The CHAIRMAN: There has been some evidence here about the time when your profits were divided with the Tampa-Interocean Steamship Company. Was that a voluntary division of profits on your part?

"Mr. HANCOCK: No, sir.

"The CHAIRMAN: Who did the work or what company operated the ships from which the profits were made?

"Mr. HANCOCK: The Dixie Steamship Company exclusively operated the west Mediterranean service from the Gulf. Messrs. Trosdal, Plant and Hancock, the sole owners of the Dixie Steamship Company, were summoned to Washington. We were told by the executives of the Fleet Corporation, Messrs. Jenkins and Gendron, that if we were to retain that operation we would be forced to give the Tampa-Interocean 50 per cent of the net income which I considered most unfair and vicious for the reason that company did not own \$1.00 of the capital stock of the Dixie Steamship Company nor did they expend one iota of effort or money to develop one ton of cargo for that service. In reality, it was nothing more or less than a gift, and as far as I can visualize the picture, there was no more plausible reason why we

should present another operator with a part of the net earnings in the Gulf than to have given it to some Methodist preacher, because it did not redound to the interests of the Fleet Corporation, nor did it tend to assist in building a constructive American Merchant Marine."

A committee of five officials of the Shipping Board, known as the Praeger Committee, two of whom are lawyers, was appointed to investigate this and other questionable Shipping Board transactions.

On February 16, 1935, the committee made a finding as follows:

"1. That Messrs. Jenkins and Gendron (officials of the Merchant Fleet Corporation) used their official positions to exact an unfair and unconscionable agreement from one Shipping Board operator for the benefit of another favored interest, contrary to their duty as representatives of a governmental agency.

"2. That there was no lawful consideration for the agreement subsequently made between the two companies whereby Tampa-Interocean Steamship Company received \$71,335 of the lump-sum compensation paid to Dixie Steamship Company.

"3. *That the approval of the Shipping Board was obtained through misrepresentation and suppression of material facts which it was the duty of Messrs. Jenkins and Gendron to disclose.*

"4. That through such misrepresentation and suppression of material facts the Shipping Board was induced to approve of excessive lump-sum compensation.

"5. That Tampa-Interocean Steamship Company had no right to receive the excessive compensation, but having received it, must in equity and good conscience be deemed to hold such money for the use of the United States."

The Committee recommended action looking to the recovery by the Government of the money paid the Tampa-Interocean Company.

If the Merchant Fleet and Shipping Board officials had been alert to the Government's interest the lump-sum payments would have been reduced so as to have saved the \$71,335 received by the Tampa-Interocean Company.

This is Item No. 10 of my charges of irregularities in the Department of Commerce. On May 13, 1935, I personally placed in the hands of Attorney General Cummings the facts in this case with a recommendation that action be brought against the Tampa-Interocean Company to recover the money it had received and also that the transaction be submitted to a grand jury investigation, but no action by the Department of Justice on either recommendation has been taken.

The officials who investigated this case for the Department of Justice were of the opinion that no further action be taken looking to criminal prosecution and made a finding that "the lump sum compensation *should have been progressively reduced to give the company only a fair profit,*" and then they take the absurd position that failure to do so was simply "*an administrative error*"!

The Tampa-Interocean Company and Lykes Brothers-Ripley Company are subsidiaries of Lykes Brothers Steamship Company. The three companies constitute one general organization. Besides the Dixie-Tampa-Interocean case which I have described, five other cases involving the Lykes Brothers organization are pending before the Department of Justice for civil action and/or criminal prosecution. Briefly they are:

1. A claim of \$712,500, found to be due by the Praeger Committee, for over-payments under a lump-

sum contract with the Lykes Brothers-Ripley Company. There also is the possibility of collecting from this company more than \$117,000 which it received in payments from the Shipping Board's insurance fund which appear to have been unauthorized. This is item No. 9 of my charges.

2. The sale by the Shipping Board of 52 vessels to Lykes Brothers-Ripley Company without competition and at a very inadequate price, as the result of collusion between representatives of the company and Shipping Board officials. Soon after I became Assistant Secretary of Commerce I stopped the delivery of nine of the vessels and my action was sustained by Secretary Roper and President Roosevelt, and the vessels have never been delivered. However, no action has been taken to secure the return of the other 43 vessels or to recover compensation on account of the inadequate price received for them. The construction cost of the vessels was \$97,908,893 and they were sold for \$2,461,790. This is Item No. 11 of my charges.

3. A claim against Lykes Brothers Company for the return of excessive amounts paid under a mail contract. Representatives of the company misrepresented the speed of the SS. *Margaret Lykes*, the rate of pay depending upon the speed maintained by the vessel. The company's representatives certified that the vessel was capable of a speed of 13.5 knots, when as a matter of fact she could not obtain a greater speed than 12.35 knots per hour.

4. A claim for money unlawfully collected from the insurance fund of the Shipping Board amounting to

\$180 for work on the SS. *Youngstown*. This vessel had suffered an accident and bids were asked for work to repair the damage. At the request of the company, contractors made their bids sufficiently high to cover also the cost of certain betterment work on the ship, which work was not properly repair work and therefore not collectible from the insurance fund. This case shows the representatives of the Lykes Brothers organization, not content with securing from the Government the illegal disbursement of large sums of money to it, willingly purloined the small sum of \$180.

This case and the case of the SS. *Margaret Lykes* have been referred to the Federal Bureau of Investigation, Department of Justice (Mr. J. Edgar Hoover's G-men), and it seems they will be prosecuted unless the three-year criminal statute of limitations is allowed to run in the meantime.

5. A charge of collusion between officials of the Shipping Board, Post Office Department and Department of Commerce and representatives of Lykes Brothers-Ripley Company in securing for that company a very lucrative mail contract with the Post Office Department in violation of the Criminal Code of the United States.

The companies embraced in the Lykes Brothers organization probably have profited more inordinately from their contracts with the Shipping Board and Post Office Department than any other shipping combination with which those two Departments of the Government have dealt.

From the 150,000 lawyers in the United States Mr. James W. Morris was selected to represent the Gov-

ernment in the prosecution of these cases. Mr. Morris, as explained more in detail in chapter 12, for eight years just prior to his appointment as Assistant Attorney General, was a member of the law firm of Taliaferro, Morris & Carter at Tampa, Florida. Since the firm's organization in 1925, Mr. Wm. M. Taliaferro, the senior member, has been the attorney at \$6,000 per year for the Tampa-Interocean Steamship Company and he also is a member of its board of directors—the very company which, through the good offices of the Shipping Board, received manna to the extent of more than \$70,000! It now becomes the duty of Mr. Morris to sue his firm's old client and to look into the criminal aspects of the transactions, if and when he and Attorney General Cummings conclude civil suits should be brought to secure monetary recoveries, and/or grand juries should investigate these cases. To this date no civil action has been brought and no grand jury investigation looking to criminal prosecutions has been instituted by the Department of Justice.

CHAPTER XV

PAYMENT OF UNCONSCIONABLE PROFITS TO THE ROOSEVELT STEAMSHIP COMPANY

The Roosevelt Steamship Company made \$371,988 in a little less than three and one-half years by operating eighteen vessels in one of the Shipping Board's services. Its capital investment was only \$10,120. Thus the net earnings to the company amounted to 1050 per cent per annum, or 3675 per cent for the period. These profits were *net* after the payment of all expenses, including income and other taxes.

In contemplating the return made on its investment by the Roosevelt Steamship Company from this transaction, it is interesting to know what President Franklin D. Roosevelt thinks is a reasonable return on an investment—at least for farmers. On December 9, 1935, in delivering an address before the American Farm Bureau Federation at Chicago, the President said:

"If you invest your savings or your capital in what you consider a wholly safe investment, which will conserve your principal so that you will still have that principal intact after 10 years or 20 years or 30 years, *you are naturally aghast* if the value of that investment drops 50 per cent. *Equally, when you make the investment you do not expect the principal suddenly to increase 50 per cent in value.*"

The average investor feels that if he can get 5 per cent per annum regularly he is doing very well; if he can secure 10 per cent he feels he is doing unusually well; if he is able to secure 100 percent he considers himself a genius. But to the Roosevelt Steamship

Company, with Government vessels furnished free of charge and with expenses and a profit *guaranteed in advance*, a return of *1050 per cent per annum* was made—and from Government funds! The net profit to the company was at the rate of:

Per day	\$ 293 on \$10,120
Per month	\$ 8,900 on \$10,120
Per year	\$106,260 on \$10,120
For 3½ years.....	\$371,988 on \$10,120

In 17¼ days the profit was \$5,060, or 50 per cent on the company's investment. Whether this 50 per cent increase came with sufficient suddenness, as suggested by the President, to cause the officials of the Roosevelt Steamship Company or the officials of the Shipping Board to be aghast, the record does not disclose.

Farmers must take chances on droughts, floods, frosts, dust storms, chinch bugs, grasshoppers, boll weevils and other uncertainties, and if they weather all these and get a bountiful crop they may find they must sell it for less than the cost of production. In view of their experiences during the past fifteen years they are fortunate, indeed, to have their original investment intact.

Shipping Board officials authorized the payment of these enormous profits to the Roosevelt Steamship Company in the midst of the worst depression in the history of this country, when millions were on relief and hundreds of thousands of citizens were losing their homes by foreclosure for the lack of money to pay burdensome taxes levied by the Government and States. These unconscionable profits were routed from the pockets of the taxpayers, through the Shipping Board

and the Federal Treasury, into the pockets of the fraternity of the International Mercantile Marine, its lawyers, agents and lobbyists.

If a searching grand jury investigation were made into the expenses allowed, it probably would be shown that exorbitant salaries and unjustified payments to subsidiaries have, in fact, increased these net profits to a far greater extent than even 1050 per cent per annum.

That a full understanding may be gained of the activities and influences exerted by the Roosevelt Steamship Company it must be borne in mind that it is a member of the International Mercantile Marine family. The latter company is the parent company and has among its subsidiaries:

Roosevelt Steamship Company

Atlantic Transport Company

International Mercantile Marine Dock Company

Panama-Pacific Line

American Line Steamship Corporation

Baltimore Mail Steamship Company

United States Lines Company (Nevada)

These corporations work in perfect harmony and have exerted wide influence on officials in Washington. Those most prominent in their affairs are Mr. P. A. S. Franklin, Mr. J. M. Franklin, Mr. Kermit Roosevelt, and Mr. Vincent Astor. The last four named companies have lucrative contracts with the Post Office Department for carrying the mail.

The International Mercantile Marine combination constitutes a happy family. The officers and directors of the various companies are largely the same. The com-

panies contribute to the payment of salaries, bonuses and commissions to these officials. Mr. P. A. S. Franklin, president of the parent company, received from 1920 to 1933, \$1,952,410, an average exceeding \$139,000 per year.

These companies juggle their financial transactions back and forth in such a bewildering maze that Shipping Board auditors often are unable to unscramble them and thus are prevented from knowing what are the financial conditions of the respective companies. Mr. W. H. Brown, a member of the Praeger Committee, stated in a report dated June 28, 1935, that during the years 1931-1933 inclusive the Roosevelt Steamship Company realized a profit of \$441,277 from agency arrangements with its affiliates, the Baltimore Mail Steamship Company and the United States Lines Company (Nevada), during which period it was operating eighteen Shipping Board vessels also, and that *"it is absolutely impossible to allocate the administrative and general expenses of the Roosevelt Steamship Company to the vessels that it managed and operated under its various agreements."*

This promiscuous intermingling of assets seems designed for the purpose of convincing Shipping Board and Post Office Department officials that the companies are suffering heavy losses when in fact they may be making comfortable profits. Here is an illustration of this hocus-pocus arrangement as detailed in the report of the Special Senate Committee on Investigation of Ocean Mail Contracts:

"The Roosevelt Steamship Company collects commissions of approximately 19 per cent of gross voyage revenue (excluding

mail) of vessels owned and controlled by the United States Lines Company. R. Stanley Dollar, when president of the United States Lines, testified that he knew of no other operating agreement in the United States amounting to as much as 15 per cent. Commissions thus received by the Roosevelt Steamship Company totaled \$3,097,538 between December 8, 1931, and December 31, 1933, and of this amount \$2,712,056 was paid by the Roosevelt Steamship Company to the International Mercantile Marine. *During the same period the books of the United States Lines show a purported loss of \$1,886,379.*

"The exact amount of profit to the International Mercantile Marine * * * *cannot be ascertained in view of the complicated and varied activities of this holding company.*"

One method employed by this combination of shipping companies to exert and maintain influence on officials in Washington is the employment of numerous lawyers and lobbyists. The International Mercantile Marine, its subsidiaries and affiliates, from 1928 to 1933 inclusive, paid sixteen firms of lawyers more than \$754,000. Several of these lawyers frequently represented this combination in Washington.

Illustrations of the influence which this combination wields on Government officials are shown by the report of Postmaster General Farley to the President, dated January 11, 1935. Concerning the mail contract held by the American Line Steamship Corporation, he said:

"The evidence shows that this route was established for and at the request of the American Line Steamship Corporation.

"The letting of this contract *was not necessary* to afford an adequate postal service between the ports served.

"The payments under the contract *have not served to assist in the upbuilding of the American Merchant Marine* as no construction is required and as the vessels in service were con-

structed and arranged to be constructed prior to the advertisement of the mail contract.

"The contractor has been improperly paid for service between Cristobal and Balboa, 38 miles, when no service has been rendered between those ports.

"The payments under this contract are a mere gratuity to the contractor and are discriminatory as against 23 other inter-coastal lines operating under the American flag without mail pay aid, and consequently serve as a detriment to the American Merchant Marine.

"If this contract is canceled, the contractor will suffer no damages as it was performing the service required by the contract before the contract was made and it has not obligated itself to build new vessels.

"The contract may be canceled because it was not awarded as a result of competitive bidding."

On this contract the company has been paid \$2,136,744 to July 1, 1934, and will receive the additional sum of \$1,863,256 if the contract is not canceled. The company owes \$8,000,000 to the Shipping Board for construction loans.

And relating to the mail contract held by the Baltimore Mail Steamship Company, Postmaster General Farley said:

"This contract may be canceled without any offer of compensation for the following reasons:

"(a) This contract was a negotiated contract and awarded without authority;

"(b) The contract was illegally transferred and assigned to the sub-contractor;

"(c) Full performance is not required in the public interest;

"(d) Savings may be effected in the sum of \$8,772,985, which is estimated excess contract pay over the American poundage rates for the balance of the contract term."

These two mail contracts were illegally executed, the resulting service of no value, they do not in the least

aid in upbuilding the Merchant Marine, and the millions paid and to be paid to these steamship companies are mere gratuities. Although the President has authority to cancel them, after more than a year and one-half both are still in force.

The United States Lines Company (Nevada) purchased the *Leviathan* and eight other vessels from the Shipping Board for the price of \$3,170,900. Notwithstanding this was a reduction of more than \$5,000,000 upon the amount then due the Shipping Board by the prior owners of these vessels, the contract *provided that nothing should be paid on principal or interest for three years and the interest during that time was to be waived. A large part of this debt is still unpaid.*

The Roosevelt Steamship Company is an operating company. It has never owned a vessel. In 1920 it commenced operating Government vessels through a contract with the Shipping Board and still continues such operations. After ten years the company was entirely familiar with conditions surrounding such operations. During that period it had opportunity to become well acquainted with Shipping Board officials, employees and methods.

On July 7, 1930, after considerable negotiation, it gave up the contract it then had and consented to the substitution of the lump-sum agreement. Under the terms of the latter agreement the company was to operate eighteen Shipping Board vessels in three services, to India, to Australia, and to the Far East. These three services were known as the American Pioneer Line. The contract was entered into by the Shipping Board upon the recommendation of former President

Gordon of the Merchant Fleet Corporation. This corporation is owned by the Government and controlled by the Shipping Board. President Gordon's memorandum stated:

"There has been taken into consideration the operating results of the line for the past 18 months."

Former Executive Assistant Gendron, in his memorandum, said:

"This lump sum was computed after a thorough study of the cost of operating the line based on the cost for a period of 18 months under the old form of agreement and taking into consideration certain economies which it was felt the managing operators could carry out under the new form of agreement."

The contract provided that the Shipping Board would make an allowance to the company of \$7,000 per voyage for "overhead" expenses, would pay all repairs to vessels exceeding \$7,500 per voyage, and would pay the company a lump-sum compensation of \$3,000 per voyage. On November 21, 1930, *and before a single voyage under the new lump-sum operating agreement had been completed*, the Shipping Board increased the lump-sum compensation to \$8,000 per voyage. The dates and amounts of this increase and the subsequent lump-sum increases are shown in the following tabulation:

India Service

July 7, 1930 (lump-sum).....	\$ 3,000
November 21, 1930, increased to.....	8,000
June 10, 1931, increased to.....	20,000

Far East Service

July 7, 1930 (lump-sum).....	\$ 3,000
November 21, 1930, increased to.....	8,000
September 16, 1931, increased to.....	38,000

Australia Service

July 7, 1930 (lump-sum).....	\$ 3,000
November 21, 1930, increased to.....	8,000
June 10, 1931, increased to.....	35,000

On February 10, 1932, further adjustments of the lump-sum compensations were made:

India: From \$20,000 to \$35,000 per voyage, for 9 voyages per year.

Far East: From \$38,000 to \$33,000 per voyage, for 10 voyages per year.

Australia: From \$35,000 to \$25,000 per voyage, for 5 voyages per year.

These adjustments resulted in a *net annual increase* of \$35,000 to the company in addition to the adjustments made June 10 and September 16, 1931.

During the period in question, the "overhead" allowance to the company at \$7,000 per voyage, in addition to the lump-sum compensation, amounted to the following:

1930—\$7,000; 1931—\$231,000; 1932—\$210,000; 1933—\$182,000; total \$630,000.

The repairs paid by the Shipping Board during the period totaled \$243,380.

The record shows that the lump-sum compensation which resulted in such excessive profits to the Roosevelt Steamship Company was based largely upon *estimates* of probable voyage results submitted by the company and not upon audits of completed voyages and that such increases also were predicated upon an allowance of \$7,000 per voyage for the company's "overhead" *without any definite information as to the actual over-*

head attributable to the operation of the Shipping Board's vessels.

The lump-sum agreement contained a clause providing for the readjustment of compensation "*should it appear to the Shipping Board to be unjust*" either to the Shipping Board or the company. This provision was not invoked by the Shipping Board in the interest of the Government to recapture excessive profits but was repeatedly invoked in favor of the company even before voyage results were ascertained.

Mr. Kermit Roosevelt testified under oath on this subject before the Special Senate Committee:

"Mr. KERMIT ROOSEVELT: I would like to tell you about the lump-sum: We had acted before that as agents for the Shipping Board. Then they were to put in this lump-sum agreement, and vessels, if you know, these long trades, 5 months or more, meant a long time in knowing the final result. When they asked us to put it in for \$3,000 we said we would definitely lose dreadfully at that. They said:

'All right, we won't discuss this going. If you will agree to accept this \$3,000 *until you can get your turn-arounds* in the course of many months, we will *then* agree at that time to readjust your compensation.'

"The CHAIRMAN: Do I understand at the meeting of the Fleet Corporation you were promised this would be later increased?

"Mr. KERMIT ROOSEVELT: We were not promised it would be increased; we were promised it would be readjusted. *If we were receiving too much, that would be cut down commensurately, and if we were receiving too little, we would be helped out.*"

Mr. Kermit Roosevelt, in his testimony, states that he expected a return of excess profits to the Government, but the Shipping Board took no action to recap-

ture such profits nor did the company proffer a return of any of them. On the other hand, the company undertook to boost its income still further by an increase of \$10,000 per voyage in the Australian Service for five voyages per year, and \$2,000 per voyage in the Far East Service for ten voyages per year, making a total increase of \$70,000 per year. The president of the Fleet Corporation very obligingly recommended this increase to the Shipping Board, but this dose seemed just a little too strong even for the Shipping Board and upon the suggestion that the India Service be merged with the Isthmian Line the Roosevelt Steamship Company very discreetly withdrew its request for the increases. The loss of the India Service would have deprived the company of \$315,000 per annum.

This request for increases shows bad faith on the part of officials of the company and their recommendation shows bad faith on the part of the President of the Fleet Corporation, and the transaction furnishes another strong indication of collusion between officials of the company, its agents and lobbyists, and certain officials of the Fleet Corporation.

At the Hearings before the Senate Committee on Commerce June 21, 1935, Mr. James C. Peacock, Director of the Shipping Board Bureau, stated that this service is still operated by the Shipping Board, but from January 1, 1934, until the termination of the pending agreement the total compensation is limited to a net profit of \$30,000 per annum. If the Roosevelt Steamship Company and the Shipping Board have agreed that \$30,000 per annum is a reasonable profit to that company for the operation of this service, it is con-

clusive proof that the profits allowed over the three and one-half year period at the rate of \$106,260 per annum is excessive to the extent of \$76,260 per annum, or \$266,910 for the whole three and one-half year period, in addition to interest on the latter amount, and should be recovered.

The Special Senate Committee spent more than a year investigating Shipping Board transactions and mail contracts. It reported to the Senate that the flagrant betrayal of trust by officials had cost the Government millions of dollars. The evidence taken by this Committee has been in the hands of Attorney General Cummings for more than two years. On May 13, 1935, I personally placed in his hands the facts detailing the unauthorized payment of these unconscionable profits to the Roosevelt Steamship Company and recommended a civil action for their recapture for the Government and that he cause the company's relations with the Shipping Board and Fleet Corporation to be investigated by a grand jury. No action has been taken on either recommendation. This is item No. 3 of my charges of irregularities in the Department of Commerce.

For the purpose of determining what profits the Roosevelt Steamship Company was entitled to make, Department of Justice officials held the scales of justice in their virtuous hands, and on one side of the scales they placed fair dealing, common honesty, official integrity, and the Government's best interest; and on the other side of the scales they poured the profits of the Roosevelt Steamship Company. As they held the scales they watched the Roosevelt Steamship Company's side

go down as they continued to pour in the profits. First, they poured in 5 per cent per annum; then they doubled that amount making it 10 per cent; then they doubled it a second time making it 20 per cent; then they doubled it again making it 40 per cent; then they doubled it again making it 80 per cent; then they doubled it again making it 160 per cent; then they doubled it again making it 320 per cent; then they doubled it again making it 640 per cent; and then they threw in for good measure 410 per cent more and found they had on the Roosevelt Steamship Company's side of the scales 1050 per cent per annum; and they found they had the same rate of return for the second year, and again for the third year, and the same rate for the remaining six months, and that the Roosevelt Steamship Company made a total profit of 3675 per cent in less than three years and six months. Then they took a look at the other side of the scales and they found that fair dealing, common honesty, official integrity and the Government's best interest had just about disappeared from view. Then they took one more look at the scales and their report to the Attorney General is that everything was done *open and above board*, that the company only received "*substantial profits*," and that Shipping Board officials were only guilty of a "*somewhat liberal expenditure of public funds*"!

CHAPTER XVI

SCRAPPED IN DEFIANCE OF THE LAW AND FACTS

The desire for an adequate American Merchant Marine is almost universal among the people of this country. Vast sums of the taxpayers' money have been spent for the purpose of creating a Merchant Marine of this character. The Acts of Congress have declared that the purposes of a Merchant Marine are to meet the requirements of the commerce of the United States and to serve as a naval or military auxiliary in time of war or national emergency.

In August, 1914, at the outbreak of the World War, American bottoms carried only 9.7 per cent (by value) of American water-borne foreign commerce. The leading maritime countries, England, France, Germany, Austria and Russia were the leading belligerent nations. Immediately following the outbreak of the war, these countries withdrew a large number of their vessels from intercourse with America and devoted them to transport and other services connected with the war. The resulting condition threw American foreign commerce into great confusion and brought home to this country the vital necessity for an adequate American Merchant Marine.

During the period of the World War and a few years immediately thereafter the United States by resorting to numerous methods acquired 2,560 ships. A great many of these ships were old, slow, and more or less obsolete, but the Government was glad to get them

in the emergency. Ships at this time were necessary not only for the needs of American foreign commerce but to transport 2,000,000 soldiers and vast quantities of supplies and munitions to Europe.

The Government not only seized enemy vessels found in American ports, but on March 20, 1918, 52 vessels found in American ports belonging to The Netherlands, a neutral country, were also seized. The Government also requisitioned and seized vessels owned by American citizens and bought and chartered at tremendous prices a large number owned by citizens of foreign countries. In addition, many were constructed in Government established shipbuilding yards. At the peak of the shipbuilding activity 218 yards were in operation. Twenty months after the close of the war this number had been reduced to 41.

After the war the vessels seized and commandeered were returned to their owners if possible, and if not, others were surrendered in their place or claims arising from the seizures were liquidated, and the charters on foreign vessels were canceled. One thousand seventeen of the ships constructed by the Government were of wood. These were found to be of little value and most of them were scrapped. The total cost of this program was enormous.

In an address before a forum of the Traffic Club in New York on June 18 last, Colonel J. Monroe Johnson, Assistant Secretary of Commerce, who was then in charge of the Shipping Board Bureau, stated that "the country now has about 380 vessels engaged in foreign commerce, of which only 31 are truly modern," and that a comprehensive merchant marine program "in

the national interest calls for the construction of approximately 350 ships."

The Shipping Board has 188 vessels in its tied-up fleet, which are being held to be returned to commercial operation if the improved condition of commerce requires or to be used as a naval auxiliary in case of a national emergency. Thus, there is in the American Merchant Marine today a total of 568 ships. This is a far cry from the 2,560 ships of the war period. It shows that if war should come to this country today it would find the American Merchant Marine in about the same condition as at the outbreak of the World War and the country again would have to resort to a wild scramble for ships of any vintage to carry on war and commercial activities. And again the country would suffer the loss of more than a billion dollars as a result of shortage of ships.

In the face of this situation the Government is now permitting the scrapping of giant sea-going ships of steel construction, the cost to the Government ranging as high as \$2,883,000 each, and which with slight repairs would be able to go to sea. By contrast, the amount received by the Government for each vessel scrapped is about \$4,500.

On August 10, 1933, the United States Shipping Board Bureau came under the jurisdiction of the Department of Commerce. In looking into the affairs of the Bureau it was ascertained that a contract recently had been entered into by the Shipping Board with the Boston Iron & Metal Company of Baltimore, Maryland, which provided for the scrapping of 124 ships. Sound public policy should oppose the scrapping of

ships unless they have reached the junk stage. Two provisions of the contract clearly indicated these ships were not junk but were seaworthy and could be used in commercial operations or as a naval auxiliary in time of war, for the Government reserved the right to withhold their delivery if needed in commerce or in a national emergency. The company also agreed not to permit the operation of any of them.

Further investigation disclosed the fact that the vessels, as these provisions of the contract indicated, were not junk but were seaworthy, and their age was only about one-half that usually allotted to such vessels. Moreover, it was found that the contract was not made in accordance with the law governing the sale of Government property which provides for appraisement of its value at about the time of its sale, advertisement for bids, and competition in the bidding. The vessels had not been appraised for nine years, their sale was not advertised (letters were sent to a few companies soliciting bids), and the contract with the Boston Iron & Metal Company was a negotiated contract.

Representatives of the Union Shipbuilding Company of Baltimore, Maryland, which had satisfactorily scrapped many vessels for the Shipping Board, protested most vigorously, verbally and in writing, against the execution of the contract, claiming that their company was prepared and willing to pay a higher price for the 124 ships.

At the time the contract was negotiated there was an unpaid judgment amounting to \$8,200 against the Boston Iron & Metal Company in favor of the United

States resulting from a prior contract for scrapping five vessels for the Shipping Board.

Upon my recommendation that the remaining 86 vessels be withdrawn from scrapping, 38 of the 124 having been scrapped, Secretary Roper submitted to the President at a Cabinet meeting, on October 6, 1933, a memorandum covering the subject and the President directed that no further delivery of ships should be made to the Boston Iron & Metal Company. A week later Secretary Roper notified that company that the United States "withdraws from sale and delivery all vessels covered by said contract that have not hitherto been delivered."

While this subject was under consideration bills of sale from the United States to the Boston Iron & Metal Company conveying title to two of the vessels that were to be scrapped, the construction cost of which was \$4,630,393, and which were to be executed by the Secretary of Commerce, lay upon my desk. When the Shipping Board was informed that no further delivery of vessels would be made I was told that these two vessels already had been delivered and scrapped. I immediately called to the attention of Secretary Roper the unauthorized delivery of the two vessels and urged that the person responsible for their delivery should be dismissed from the service, but he replied: "No, that may be their custom." Consequently, no action was taken.

SENATOR TYDINGS INTERVENES IN COMPANY'S BEHALF

Very soon after the delivery of the vessels was stopped, the officials of the Boston Iron & Metal Company of Baltimore, Maryland, and Senator Millard E.

Tydings who represents Maryland in the United States Senate, became very active in their efforts to have the order withdrawing the vessels revoked. The officials of the company called repeatedly at the Department urging continuance of the delivery of the ships. One of them admitted that practically all of the scrap from these ships was going to Japan. It was ascertained that such scrap could be used to construct war ships or shrapnel, and other war munitions.

Senator Tydings sent two telegrams to Secretary Roper and one to me in which he conceded the contract was a bad one for the Government but nevertheless insisted that it be carried out.

Mr. South Trimble, Jr., Solicitor for the Department of Commerce, made a thorough investigation into the question of the authority of the Shipping Board to execute the contract and in a very comprehensive opinion stated his conclusion as follows:

"As it is an undisputed fact, therefore, that the vessels in the case before me are far from being worn out or in the scrap or junk condition, but, on the contrary, have an 'as is' value of several million dollars and, with repairs, can be put in operation, I am not convinced that there was any authority of law for the Board to sell such valuable ships as mere junk to be dismantled and destroyed; and I am unable to conclude that the Board had such authority in the present instance."

Senator Tydings was advised that the Attorney General had been requested to furnish his opinion as to the right of the Secretary of Commerce to stop delivery of the vessels.

In a conference with Attorney General Cummings a few weeks later I was surprised to learn that his opinion in the case held that because the Boston Iron &

Metal Company was threatening suit against the United States in the Court of Claims for failure to perform the terms of the contract he would not formally advise Secretary Roper as to the validity of the contract. I expressed astonishment at the terms of the opinion and he said: "*Well, Senator Tydings is just raising hell about this matter.*" I replied: "Well, what the hell has that to do with the merits of the case?"

Since the Attorney General would not render a formal opinion in the case involving this company, it was decided that he be asked for his opinion on a hypothetical case covering the same facts. The Attorney General's opinion on the hypothetical case, addressed to Secretary Roper, held, in effect, that the Shipping Board had no authority to sell vessels for scrapping which have an appraised world-market operation value greatly in excess of their scrap value, stating:

"As the question is thus stated by you, I am of the opinion that it should be answered in the negative. Nor do I find any authority outside of the Merchant Marine Act enabling you to sell such vessels as scrap. It is, therefore, my opinion that you are without authority to sell the ships for scrapping under the circumstances stated."

The Senate adopted Resolution 221, submitted by Senator Tydings, which called upon Secretary Roper to "furnish the Senate the reasons for the abrogation of the contract" between the Government and the Boston Iron & Metal Company. In response to this resolution Secretary Roper furnished information to the Senate, which, in part, is as follows:

"At the time it appeared incompatible with the public interests that any further deliveries of vessels for scrapping should be

permitted, as it appeared that the Government would require the vessels for operation to carry out the national policy set forth in Section 1 of the Merchant Marine Act, 1920.

"It has also been disclosed that the only appraisalment of the 124 vessels advertised for scrapping was an appraisalment made on September 14, 1923, by a committee of three experts. The attempted sale was made nine years later. Moreover, the proposed sale was not advertised except by the sending of private letters to a few concerns. Section 5, Merchant Marine Act, 1920, provides that vessels shall be sold 'at public or private competitive sale after appraisalment and due advertisement.' Failure to observe the statutory requirements for appraisalment and due advertisement would make the contract null and void." (Senate Document 169)

The Senate adopted a second Resolution (226), submitted by Senator Tydings, which requested that Secretary Roper inform the Senate under which particular provision of the contract he had stopped the delivery of the vessels and "what he, the Secretary of Commerce, proposes to do with said vessels so withdrawn." In response to this resolution Secretary Roper furnished information to the Senate, which, in part, is as follows:

"My action at that time was predicated upon Article Third of the contract which reserved the right to the United States to withdraw from sale for scrapping any vessel or vessels the United States desired for operation or for sale for operation.

"I do not think it would be *compatible with the public interest to set forth any further information at this time* relative to the Government's retention of the undelivered vessels.

"Meanwhile, and as stated in my letter to the Senate dated April 12, 1934, the question as to the legality of the alleged contract with Boston Iron & Metal Company has been given attention, both by this Department and by the Department of Justice. Under date of April 19, 1934, the Attorney General has rendered a written opinion in which he holds that the Merchant Marine Act, 1920, does not confer authority to sell vessels for

scrapping which have an appraised world-market value greatly in excess of their scrap value, and the Attorney General also states:

“Nor do I find any authority outside of the Merchant Marine Act enabling you to sell such vessels for scrap.”

“Applying the recent opinion of the Attorney General to the facts, it clearly appears that the attempted sale of these vessels to Boston Iron & Metal Company was unauthorized and that the supposed contract was *illegal and void*.” (Senate Document 177.)

Despite the situation thus presented, Secretary Roper authorized a supplementary contract with the Boston Iron & Metal Company providing for the delivery of 40 additional vessels for scrapping in “compromise” of the company’s claims, and it was executed on July 29, 1935. This contract recites the provisions of the original contract and states they shall apply to the supplementary contract in all respects except as to the number of vessels to be delivered, Article Third, and a few other minor provisions.

The provision of Article Third providing for the withdrawal of the vessels for operation in commerce is omitted. The right to withdraw them for use in the event of war is retained. In consideration of the delivery of the 40 ships the company agrees to waive all claims for damages because of the Government’s failure to deliver the remaining 44 vessels.

The supplementary contract was not made after advertisement for bids and competition in the bidding, but was a negotiated contract.

Attorney General Cummings and Solicitor Trimble must have had in mind, when they furnished their opinions to Secretary Roper, a line of court decisions bearing upon the subject of attempted execution of

contracts by Government officials as exemplified in the case of *Steele v. United States* (113 U. S. 128) in which the Supreme Court of the United States said:

"The whole transaction was illegal, and the appellant is chargeable with knowledge of the fact. *It was in effect a private sale of the property of the United States without survey, inspection, or appraisal, at a grossly inadequate price.*"

Of the vessels to be delivered under the "compromise" contract, 36 were included in the original contract and were covered by the investigation made by Solicitor Trimble in preparing his opinion and by Secretary Roper's two reports to the Senate. The total construction cost of 33 of these 36 vessels (the cost of three is not available) was \$62,784,867, or an average of \$1,902,572 per ship. Four of the vessels to be delivered were substituted for four mentioned in the original contract. Their construction cost is not available.

The purchase price of \$1.51 per ton for metal recovered as scrap agreed upon in the original contract is continued in the supplementary contract.

According to the publication *Iron Age* the price of scrap metal at the time of the execution of the original contract was \$7.25 per gross ton, and in July, 1935, when the "compromise" contract was made it was approximately \$10 per gross ton, delivered to consumers. The 40 ships to be delivered under the "compromise" contract will average about 3,000 gross tons as scrap. Assuming the company made a profit on the basis of \$7.25 per gross ton the increase in the market price of \$2.75 per ton at the time the "compromise" contract was executed will net the company an additional profit

of \$330,000. The market has advanced since then. The price in May, 1936, according to Iron Age, was \$14 per gross ton. On the basis of the latter figure the additional profit to the company would be \$810,000.

The ships are to be scrapped at the rate of four every three months and the scrapping of all 40 to be completed by January 1, 1938.

An illustration of the type of vessels being scrapped is furnished in the case of the SS. *East Side* which was scrapped under the original contract. This vessel cost the Government \$1,676,138. For about six years prior to being laid up on August 7, 1930, she was operated in the North Atlantic-European service. During the last year of her operation the sum of \$61,000 was spent for her reconditioning, about \$20,000 of which was for a refrigeration plant. The captain who was in charge of the vessel told me she was in excellent condition when laid up and good for many years' service. He said when he saw this giant ship, which had served him so faithfully, going to her doom he had the feeling that an old friend in the prime of life was being led to execution.

It is not to be presumed that Secretary Roper would have ordered the scrapping of the 40 additional vessels under the "compromise" contract without President Roosevelt's approval. Secretary Roper seldom misses an opportunity to sidestep responsibility. He has appointed many committees to advise him how to conduct the activities of the Department of Commerce and to share with him the responsibilities of actions taken.

When the President directed the delivery of all vessels be stopped he evidently believed they would be

needed for operation in commerce, or for use in a national emergency, or for both purposes. By whichever reason he was actuated there was far more basis for it on July 29, 1935, when the "compromise" contract was executed, than on October 6, 1933, when the deliveries were stopped. During the year and ten months intervening between these dates business conditions throughout the world had improved, the waterborne foreign and intercoastal commerce of the United States had increased to a very considerable extent, and the war clouds over Europe had become more menacing.

Secretary Roper's second report to the Senate stating he did not "think it would be compatible with the public interest to set forth any further information relative to the Government's retention of the undelivered vessels" carried a strong intimation that they were expected to be needed in a national emergency.

It is true the outbreak of war in Europe was threatened in the fall of 1933, but conditions have grown worse instead of better. *On the very day* the "compromise" contract was entered into, flaming headlines in the newspapers warned of the danger of war. Below are some of the dispatches carried on that date:

WAR CLOUDS OVER EUROPE (1935)

Geneva, July 28—A threatened crisis in the League of Nations was averted today when Ethiopia telegraphed willingness to resume arbitration negotiations with Italy. The council called to convene in emergency session Wednesday had faced the most serious situation of its history. The council session will be stormy.

Rome, July 28—With 10 ships loading war supplies

and 5 black shirt divisions ready to sail for East Africa tonight war between Italy and Ethiopia was regarded as inevitable despite the call for a League of Nations council session Wednesday.

London, July 28—The huge new schedule for a \$750,000,000 Navy in Great Britain, the 'Secret 7-Year-Plan' resulting from the failure of treaties, calls for the construction of 12 new capital ships, 33 cruisers, 63 new flotilla-leader destroyers, 21 new submarines, and 3 new aircraft carriers.

On April 30th, before 2,000 delegates to the United States Chamber of Commerce meeting in Washington, Secretary of State Hull, speaking of the possibility of war in the near future, gravely outlined the "appalling implications of the tragic picture," saying:

"In the past few months we have witnessed a swift increase in the international political tension; a recrudescence of the military spirit, which sees no goal in life except triumph by force; an expansion of standing armies; a sharp increase of military budgets, and actual warfare in some portions of the globe.

"Human and material resources are being shifted, on a truly alarming scale, in a military direction rather than one of peace and peace pursuits."

In June in the Free City of Danzig, which since the war has been supervised by the League of Nations, the Nazi organization which carried recent elections issued a Declaration of Independence.

Premier Paul van Zeeland of Belgium, upon his election as President of the Assembly of the League of Nations on June 30th, said upon taking the chair:

"The League is at a turning point in history. Never before have the difficulties been so great. The fate of a large section of humanity hangs in the balance."

Congress appropriated for the present fiscal year more than one-half billion dollars for the Navy and a similar sum for the Army and Air Corps, in all more than one billion dollars—the largest peace time appropriation for war materials in the history of the country. In view of these enormous expenditures in preparation for war, responsible officials of the Government must feel that war is impending.

Notwithstanding these threatening conditions, the scrapping of vessels, which may be urgently needed at any time in a national emergency, continues.

Senator Tydings should have full appreciation of the devastating effects of war. According to his biography in the Congressional Directory, he served two years in the World War and was promoted through the ranks from enlisted man to lieutenant colonel. As a United States Senator he should know the tremendous loss sustained by this country on account of the shortage of ships in the World War period. On March 26, 1934, in the midst of his activities to induce officials to consent to delivery of the 84 ships to the Boston Iron & Metal Company for scrapping, and just two weeks before he introduced in the Senate his first resolution on the subject, he made an address to a huge crowd at the opening of Maryland's Tercentenary at the University of Maryland, saying:

"The world is prepared for war. Since the armistice in 1918 armies have grown, not decreased. It is a dismal outlook. To-day we live in equally troubled times."

Senator Tydings has been one of the leaders among the Democratic Senators who have viciously criticized the New Deal. Newspaper columnists often have

speculated as to whether he would "take a walk" and refuse to support President Roosevelt for re-election. On April 1, 1935, in a speech in the Senate he demanded the repeal of "these monstrosities," the AAA and NRA. He said the 1932 Democratic National platform "promised to restore world trade, balance the budget and pay as we went, but these things have not been done," he said the Government is "being run on hot air on money pulled down from the heavens," and he criticized the WPA. He was one of four Democrats who voted against the Wagner-labor-disputes bill. He has opposed the passage of other bills prominent in the New Deal program. He was chairman of a committee to investigate the administration of the Virgin Islands and carried on a stirring battle with Secretary Ickes on that subject.

The influence Senator Tydings exerted in securing delivery of the additional 40 vessels to the Boston Iron & Metal Company serves to recall a recent conversation between a Western Senator and an Eastern Congressman, both Democrats. The Congressman had been one of the most ardent devotees of the New Deal. Not only had he voted consistently for all its measures but had defended it from assaults by groups in his State. He was complaining to the Senator that notwithstanding his great devotion he had not been able to secure any recognition from the Administration. The Senator said: "You have made a mistake if you wanted to secure favors. What you should have done was give the New Deal a few swift kicks in the seat of the pants."

At the recent Democratic National Convention held

at Philadelphia every State and outlying possession was called upon to second the nomination of President Roosevelt. The latter's managers, if reports in the newspapers are to be believed, desired that many United States Senators second the nomination for their respective States and pressure was put upon them to that end. It was particularly desirable to have seconding speeches by Senators who had been critical of the New Deal. There are 70 Democratic Senators representing 41 States and of this number only nine made seconding nominations. Senators Glass and Byrd of Virginia, Copeland of New York, Holt of West Virginia, and other severe critics of the New Deal were among the missing. Senator Tydings was one of those who made seconding speeches.

The original contract for scrapping ships was *illegal and void*, as Secretary Roper informed the Senate, and there was not a single chance for the company to recover damages on account of its abrogation. If the fact that Senator Tydings "*just raised hell*," with the resulting desire on the part of officials to conciliate him and make certain his support for the New Deal in the coming election, was not the sole cause for the "compromise" contract, what other influences were brought to bear?

SECRETARY ROPER LAMENTS SHORTAGE OF SHIPS

On November 18, 1935, less than four months from the date Secretary Roper authorized the signing of the contract for the scrapping of the 40 ships, he made an address in New York before the American Merchant Marine Conference in which he deplored the scarcity

of ships in the Merchant Marine capable of acting as an auxiliary to the Navy in time of war. He said:

"It is well known and deeply lamentable that, while we are building up our Navy to treaty strength, we are doing virtually nothing to supply the Navy with modern auxiliaries. When Navy treaty strength is finally reached, the disparity between our first and second lines of defense will be still more strikingly apparent unless in the meantime we build up the Merchant Marine.

"Official figures recently compiled show that in the event of a major campaign the present-day United States would need 900 merchant ships, totaling approximately 6,000,000 gross tons. Some idea of what this means is obtained from the statement that we have only 488 carriers of goods and passengers in the foreign trade, of approximately 3,065,000 gross tons.

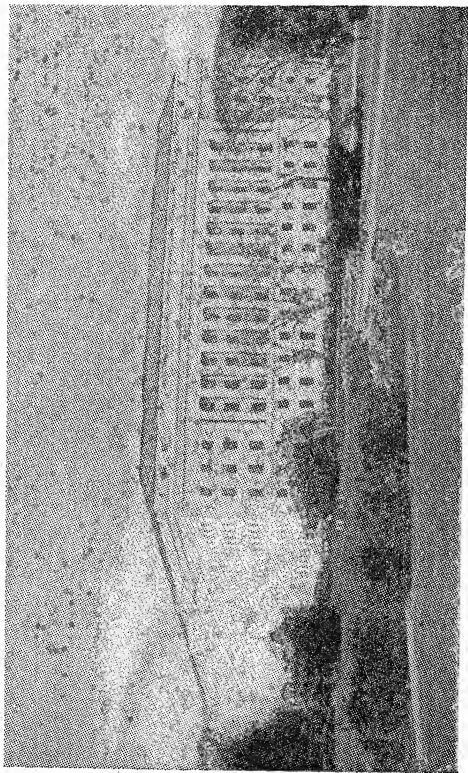
"Withdrawal of the required amount of tonnage for defense purposes from the merchant fleet would paralyze our commerce, foreign and domestic, and endanger the importation of something like 30 essential raw materials, without which it would be virtually impossible to conduct a protracted war with a foreign power."

It will be observed that Secretary Roper, in placing the number of ships at 488, increases the number by 108 over the number fixed by his own assistant, Colonel J. Monroe Johnson, in his address to the Traffic Club. Accepting 488 as the correct figure, and assuming there have been no additional contracts for scrapping ships and there still remain 188 vessels in the tied-up fleet, the Merchant Marine in the event of war still would be short 224 ships, according to Secretary Roper. This shortage, amounting to 25 per cent, the Secretary says, "*would paralyze our commerce, foreign and domestic*" and would make it "*virtually impossible to conduct a protracted war with a foreign power,*" yet he continues

the scrapping of the very ships the shortage of which he finds so "*deeply lamentable*."

This is item No. 16 of my charges of irregularities in the Department of Commerce. Months ago I urged the Department of Justice to stop the delivery of these ships and to submit the whole transaction to a searching grand jury investigation, but nothing has been done.

In the meantime, the peace of Europe and the world is threatened by the bloody civil war which is raging in Spain between the Reds and Fascists. In the event of a national emergency in the next few years the Government would be compelled to replace the vessels now being scrapped with such abandon at \$4,500 each at a price that might easily go to much more than a million dollars each, if indeed they could be replaced at all without the long delay incident to the development of emergency shipbuilding yards.

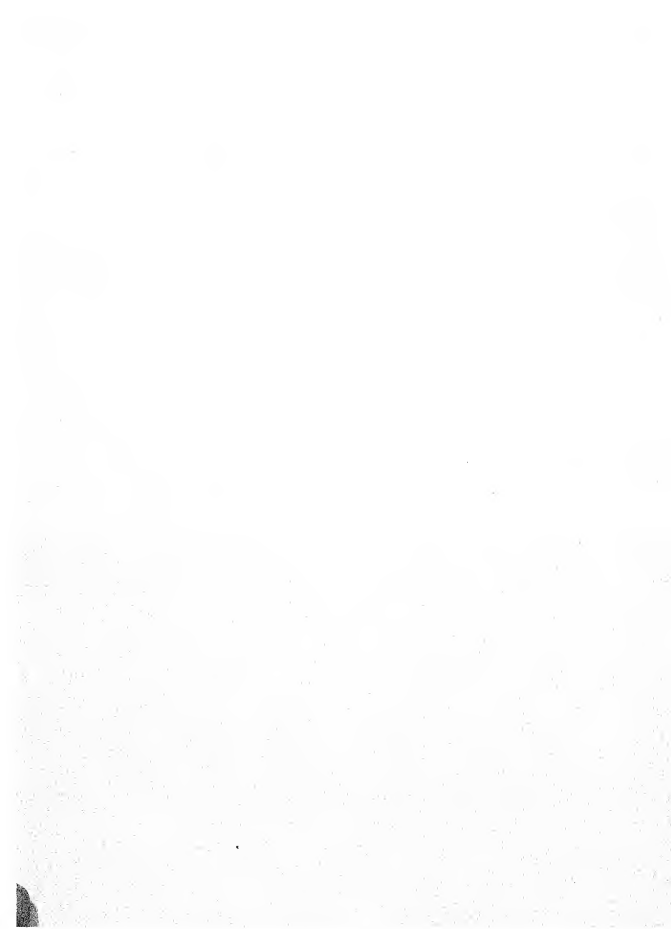


THE DEPARTMENT OF COMMERCE

The largest and most costly Government office building in the world. It covers more than eight acres and houses 7,000 officials and employees. It includes the Bureaus of Air Commerce, Lighthouses, Navigation and Steamboat Inspection, Coast and Geodetic Survey, Shipping Board, Census, Foreign and Domestic Commerce, Standards, Fisheries, and Patent Office.

PART III

GLEANED BY THE WAY



CHAPTER XVII

FRAUDULENT OCEAN MAIL CONTRACTS NOT CANCELED

It has been more than 20 months since Postmaster General Farley placed upon President Roosevelt's desk reports on all of the ocean mail contracts, submitted to the President so that he might determine the advisability of their cancellation. The reports were based on Hearings before the Special Senate Committee which extended nearly a year and were supplemented by Hearings conducted by the Post Office Department for three months. When these two investigations were completed, the relations existing between former Post Office officials, former Shipping Board officials and present ocean mail contractors were laid bare to the last extremity and revealed the facts concerning the execution of the contracts so clearly that there can be no semblance of a dispute about them. They presented an amazing picture of collusion between former officials and contractors, of favoritism to the successful bidders to the point of excluding all competition, and of repeated, scandalous and brazen violations of the law enacted by Congress to provide free competitive bidding in the letting of Government contracts.

The President has had the authority to cancel any or all of the contracts since he received the reports on January 11, 1935, Congress having extended this power from time to time. But notwithstanding this situation, every one of these contracts, except one of small importance held by the United Fruit Company which was

canceled at that company's request, are still going strong. The continuation of the contracts is costing the Government more than \$2,200,000 per month, or \$26,500,000 per annum.

All of the domestic air mail contracts were promptly canceled because, as was alleged by the President and Mr. Farley, there was fraud and collusion in their execution—but the ocean mail contractors have been accorded a much more gentle fate.

The shipping fraternity is the spoiled child of the Government. It has received great favors other organizations could not secure. While the Federal Treasury has suffered raids by many interests, none have been so enormous in amount or so long continued as those for which the shipping fraternity is responsible.

What is the cause of the unusual success of the shipping fraternity? As I explained in chapter 12, there is so much patriotism involved in the building up of the American Merchant Marine that it gives the shipping fraternity an effective camouflage behind which to work. In addition, the most influential lobbyists have always been employed at huge fees, the fraternity using a part of the exorbitant profits it has derived from the Government for that purpose. Changes in National Administrations never catch the fraternity off guard. It is remarkable with what facility it will switch from Republican lobbyists to Democratic lobbyists and back again, with every change in Administration.

"FOUR HORSEMEN" OF NEW DEAL LOBBY

The "Four Horsemen" of the New Deal lobby are Mr. J. Bruce Kremer of Montana, Mr. Robert Jackson of New Hampshire, former Governor O. Max Gardner

of North Carolina, and Mr. Arthur Mullen of Nebraska.

What is there about these gentlemen which gives them such surpassing power? All were members of the Democratic National Committee in 1932, and were very active in their support of President Roosevelt in the primary and election campaigns of that year. Mr. Kremer served 24 years on the Democratic National Committee for Montana at the same time that Attorney General Homer S. Cummings was a member for Connecticut. They are intimate friends and "buddies" and last year with their wives made a trip to Europe together. Mr. Jackson was secretary of the Democratic National Committee during the campaign of 1932. Governor Gardner has been Governor and Lieutenant Governor of North Carolina and active in politics for many years. Mr. Mullen formerly was Attorney General of Nebraska, has been a member of the Democratic National Committee for 13 years, and was President Roosevelt's floor manager in the Chicago convention of 1932.

These gentlemen all arrived in Washington for the inauguration of President Roosevelt and immediately opened "service stations," more politely known as law offices. They were not long in ousting the Republican lobbyists who represented the shipping fraternity and other interests during the Hoover Administration. Of course it is not to be presumed that they have any knowledge of maritime law or shipping affairs, nor are they employed with any expectation that they will ever try a suit in court. The shipping companies have many lawyers well versed in maritime law to represent them in all legal actions. The activities of the "Four

Horsemen" are confined to lobbying before the Departments and with Congress. Mr. Kremer has represented the Dollar Steamship interests, Governor Gardner has represented the International Mercantile Marine, Mr. Jackson has represented the Northland Transportation Company. They have entree at the White House and at the offices of Cabinet members and other officials, and an occasional subscription to the Democratic national campaign fund does not impair their good standing. They can obtain hearings and secure results that no Republican lobbyist could ever achieve. The "Four Horsemen" have made large fortunes from their lobby activities during the term of the New Deal.

The value of the returns to the "Four Horsemen" from such activities is shown by Mr. Mullen's refusal to accept the very important appointment of Federal circuit judge which was tendered him by President Roosevelt. There are three classes of Federal judges—judges of the United States District Court, judges of the United States Circuit Court, and judges of the United States Supreme Court. The Circuit Court is next in authority to the Supreme Court. Speaking of Mr. Mullen's letter to the President declining the judgeship, the *St. Louis Post-Dispatch*, in an editorial on October 26, 1935, said:

"SERVICE A LA MODE"

"When Arthur Mullen of Nebraska, who had been the floor manager of the Roosevelt forces at the Democratic National Convention of 1932, received from the President the offer of a Federal circuit judgeship, he declined in these stirring terms:

"My view is that in these stern and tragic times and until your program has been made effective, I can render greater service to you and to your Administration as a private citizen than I can in any office."

"'Stern and tragic'—a perfect description of the times. Ten million unemployed. Billions being added to the national debt to provide relief. New taxes. New appeals to private charity. Devaluation of the dollar. RFC aid to tottering banks and railroads. 'Stern and tragic,' indeed, the times that inspired the heroic words of Arthur Mullen. 'Service'—that was the thing. Service to the Administration, service to the people. Service not in the sanctuary of a judgeship, but out on the firing line, bearing the heat and burden of the fray.

"Service!

"So Mr. Mullen, imbued with that ideal, opened an office in Washington for the practice of his profession, the law. How grandly he served we now know. He had a retainer of \$25,000 a year from Cities Service. ('Service' again.) He has had other large fees from other large corporations. The laborer in the vineyard of truth and justice is worthy of his hire. In serving the cause of truth and justice he serves the public interest. And more recently, Mr. Mullen has been directly serving the people, not merely indirectly as in the case of his Cities Service connection. He has been rendering legal aid on PWA projects in his home State of Nebraska, and for these services his bill, as presented to Secretary of the Interior and Public Works Administrator Harold L. Ickes, is for \$175,000.

"There may be mean-spirited, penny-pinching souls who will carp at the size of this fee. Mr. Ickes himself seems inclined to carp at it, for Mr. Ickes recalls that he once said that the services of lawyers were not needed on PWA projects. But Mr. Ickes is merely a Cabinet member, getting some \$15,000 a year. He is merely running the Department of the Interior and the Public Works Administration; he is not a servant-at-large, like Mr. Mullen, who thrusts aside public office. Neither Mr. Ickes nor even the President, with \$75,000 a year, is a servant on the grand scale. What does Mr. Ickes, in his cloister, know of the work of those out in the field? What does he know of the service of Mr. Mullen in these stern and tragic times?

"And so, to Mr. Ickes and to those others who lack the larger vision we say, Fie upon you! Fie, and again, phooey! How mean, how sordid, to debate the size of Mr. Mullen's bill, when what we should all do is to get down on our knees and give

humble thanks that we have men like Mr. Mullen to serve us in the grand manner."—(From the *St. Louis Post-Dispatch*.)

With the aid of Mr. Kremer a claim against the Shipping Board, pending nearly 15 years and several times rejected by previous Administrations, has been approved in the sum of \$250,000. The claim arose from the loss of cargo shipped on the SS. *Niowa*, a Shipping Board vessel, when it stranded off Jacksonville, Florida, in 1920. Mr. Kremer participated in several conferences at the Department of Justice regarding the claim and Attorney General Cummings gave final approval to the terms of the settlement.

There are other Democratic New Deal lobbyists of lesser importance. An idea of the fees paid to lesser lights was given when the evidence before the Special Senate Committee disclosed that Mr. W. Gwynn Gardiner was paid \$15,000 by the Dollar Steamship Company for three months' service. Solicitor Trimble of the Department of Commerce, who has much influence in Shipping Board affairs, was Mr. Gardiner's office associate for 10 years. Another lobbyist of lesser degree who has accomplished some results is Mr. Basil O'Connor of New York, former law partner of the President. He was paid a fee of \$25,000 by Mr. H. C. Hopson's Associated Gas and Electric Company which spent nearly \$1,000,000 to defeat the utilities holding company bill. Mr. O'Connor also holds the distinction of having sold to the Government in the first few days of the New Deal Administration several thousand toilet kits which contained gold-plated razors for the use of the CCC boys. For Uncle Sam to supply boys on relief with gold-plated razors created a sensation all over the country.

Concerning the negotiations for the purchase of these toilet kits the Senate Committee on Military Affairs reported to the Senate on June 12, 1933:

"We find that these negotiations resulted in large purchases without advertising for competitive bids and on representations of a single salesman. We call attention to the danger inherent in such a situation and believe that steps should be taken to prevent its recurrence. * * * We find that lower prices could have been obtained for articles of a quality sufficient to meet all requirements, and that fewer articles would have served all practical purposes of the Civilian Conservation Corps."

INFLUENCE OF STEAMSHIP PASSES

Another influence which works with great force in the interest of the shipping fraternity is exerted by those who receive free steamship transportation or reductions in the regular rates. The records of the Shipping Board Bureau for the six months from May to October, 1933, reveal a long list of persons who received complimentary transportation or a reduction in rates. Some of the reductions consisted of furnishing cabin accommodations at tourist rates. In 1933, the International Mercantile Marine, which was receiving millions in Government subsidies, was operating the British White Star Line, as related in Chapter 13. The United States Lines is a subsidiary of the International Mercantile Marine. There is a peculiar psychology about the acceptance of a pass. For some reason there are few things more potent in influencing the actions of men than free transportation. A pass often gets results which cash a hundred times the value of the pass could not obtain. Following is a small portion of the list of persons favored during the six-month period mentioned:

EXAMPLES OF FREE AND REDUCED RATES GRANTED

as reported by the

TRANSATLANTIC PASSENGER CONFERENCE

<i>Person</i>	<i>Reduction</i>	<i>Line</i>	<i>Remarks</i>
Mr. and Mrs. T. V. O'Connor Mr. I. Marcossou	Complimentary 50%	U. S. Lines <i>Washington</i> From N. Y. 5/10/33	Mr. O'Connor for years was Chairman of the United States Shipping Board.
Hon. and Mrs. J. M. Cox Misses A. and B. Cox and nurse	\$1,285.00 \$954.00	White Star Line <i>Olympic</i> From N. Y. 6/2/33	Governor Cox was the Democratic nominee for President in 1920.
Hon. R. Moley	\$231.00 \$159.00	U. S. Lines <i>Manhattan</i> From N. Y. 6/21/33	Professor Moley was at that time a member of President Roosevelt's brain trust.
Mr. E. D. Roosevelt, Jr. Mr. G. Whitney, Jr. Mr. A. J. Drexel Paul, Jr.	Tourist rate.	{ U. S. Lines <i>Washington</i> From N. Y. 7/5/33 }	Mr. Roosevelt is the son of the President.
Mr. J. P. Morgan	\$747.00 \$510.00	White Star Line <i>Olympic</i> From N. Y. 7/12/33	Mr. Morgan is the head of the well known Wall Street banking house, J. P. Morgan & Company.

Hon. and Mrs. J. Shouse Hon. R. F. Wagner and son	50% 50%	U. S. Lines <i>Manhattan</i> From N. Y. 8/19/33	Mr. Shouse is president of the American Liberty League. Mr. Wagner is a Democratic United States Senator from New York.
Senator C. Glass Adm. C. T. Grayson }	\$1,004.00 \$512.00	White Star Line <i>Majestic</i> From N. Y. 8/11/33	Mr. Glass is a Democratic United States Senator from Virginia. Admiral Grayson is Chairman of the American Red Cross.
Hon. F. R. Lehlbach Mrs. F. R. Lehlbach	Complimentary \$186.00 \$161.00	U. S. Lines <i>Manhattan</i> From N. Y. 8/17/33	Mr. Lehlbach is a Republican Congressman from New Jersey.
Hon. and Mrs. W. G. McAdoo and daughter.	\$649.00 \$468.00	U. S. Lines <i>Manhattan</i> From N. Y. 9/13/33	Mr. McAdoo is a Democratic United States Senator from Cali- fornia.
Mr. R. C. Lee Rear Adm. R. H. Leigh Mrs. R. C. Lee	50% and improved \$362.00 \$312.00 220.00 151.00	U. S. Lines <i>Washington</i> From N. Y. 9/27/33	Rear Admiral Leigh, United States Navy.
Mr. and Mrs. F. Frankfurter	\$418.00 \$319.00	White Star Line <i>Britannic</i> From N. Y. 9/23/33	Professor Frankfurter is a member of the President's brain trust.

On December 11, 1933, I sent Secretary Roper a memorandum concerning this list showing discriminations on the part of steamship companies, reading:

"Attached will be found copy of my letter to Senator Black of December 4, 1933, which gives a partial list of discriminations on the part of steamship companies on the granting of free and reduced rates to the persons named. The information contained in this letter was furnished me by Thomas M. Woodward, member of the Advisory Committee, Shipping Board Bureau. I told Senator Black there were additional instances of free transportation and other discriminations which I would furnish him if he so desired. He said he would be glad to have me do that.

"I have just received the attached memorandum from Mr. Woodward and the attached information concerning additional instances of discriminations in the steamship rates.

"It is my intention to furnish Senator Black with this information showing additional instances of free and other discriminations in ocean and steamship affairs unless you advise to the contrary."

The Secretary did not reply. Just a month later the Shipping Board Bureau was taken from under my jurisdiction.

The Transatlantic Passenger Conference every six months furnishes the Shipping Board Bureau with a list of those who receive passes or reduced rates in the Atlantic service. Lists covering the past two and one-half years, from November 1, 1933, are in its possession. The names which appear on them might be very significant and tend to throw light upon the sources of the tremendous influence wielded in Washington by

the shipping fraternity, if Secretary Roper could be induced to make the lists public.

Several years ago Congress prohibited the issuance by railroads of free transportation, except to employees and a few others, but nothing has been done to prohibit the issuance of steamship passes. If this practice were stopped it might result in a considerable reduction in subsidies with a resultant reduction in taxes, not only because of the amount saved but because the pressure upon public officials resulting from the issuance of passes would be removed.

COMPETITION ELIMINATED IN THE BIDDING

The procedure of establishing mail routes and specifying the types of vessels to be used for carrying the mails was entirely in the hands of the Postmaster General and the Shipping Board. All of the present ocean mail contracts were awarded under the Merchant Marine Act of 1928. Under this act it was the duty of the Postmaster General to certify to the Shipping Board what ocean mail routes, in his opinion, should be established and/or operated for carrying the mails of the United States. The Shipping Board was required to certify to the Postmaster General the type, size, speed and other characteristics of the vessels which should be employed on each of such routes; the frequency and regularity of the sailings; and all other facts which bore upon the capacity of the vessels to meet the requirements of the service stated by the Postmaster General. It was an easy matter for the Postmaster General to designate the routes then in operation, and for the Shipping Board to certify the exact type of boats then in use by the operators. This

course was usually followed and resulted in eliminating competition in the bidding.

The law further provided that before entering into any contract the Postmaster General must give public notice by advertisement for three weeks in daily newspapers and then award the contracts to the lowest bidders. The law fixed the maximum rate to be paid for such service according to the classification of the vessel, which was determined by the speed and size of the vessel.

In considering whether the ocean mail contracts should have been canceled two things should be kept clearly in mind:

First, the maintenance and building up of the American Merchant Marine is the only reason which can possibly be assigned for the granting of subsidies to shipping companies in addition to the regular poundage rates for carrying the mail. Those steamship companies which are able to stand alone, and are making money, providing necessary ships and schedules to maintain their routes, have no more right to receive pay in excess of the poundage rates than the railroads of the country which carry mail.

Second, if a shipping company has been subsidized by the Shipping Board to maintain efficient service on a given route, any additional payment by the Post Office Department beyond the poundage rates for carrying mail, obviously is a simple gift.

A typical case in point is taken from Mr. Farley's report to the President concerning the Lykes Brothers-Ripley Steamship Company, contractor on foreign ocean mail route 57:

"There was transported on this route from April 15, 1933 to June 30, 1934, mails which could have been dispatched at the

American poundage rate for \$252.46. For this service the contractor was paid \$3,083,620 and during the entire life of the contract it is estimated that the contractor will have received \$27,320,838.

"All of the mail carried on this route is delayed in delivery. Very little mail is carried except that which is especially addressed by the contractor with instructions that it be dispatched on its steamers. At the time this route was established and during the entire period of its operation there were quicker dispatches for mail to the ports served. The route is of no value to the Postal Service and the contractor does not contend that it has such value."

Lykes Brothers-Ripley Steamship Company is obligated to build ships, *providing the Postmaster General will not permit that obligation to be waived* on the contention that traffic does not justify the building, but it can avoid all building by the forfeiture of the amount of its performance bond. Mr. Farley states the proposition thus:

"It is possible that the contractor may elect to forfeit its \$300,000 performance bond if it is unable to persuade the Post Office Department when the time comes for it to begin replacements that traffic conditions do not warrant the expenditure."

This mail route represents a consolidation of four services in different parts of the world which had been operated for several years by the Shipping Board. Mr. Farley points out in his report there should have been four lettings of contracts instead of one letting, in order to secure competition in the bidding. Former Postmaster General Walter F. Brown and his assistants, in cooperation with former officials of the Shipping Board, arranged to have the four services consolidated knowing in advance that Lykes Brothers-Ripley Steamship Company would be the only bidder because that company was then operating those routes for the Ship-

ping Board and had arranged to buy the 52 ships which were being used on the four routes. Other companies might have bid on one or more of the routes but none were in a position to bid on all four consolidated into one.

The Shipping Board agreed to sell the 52 vessels dependent upon the company securing the mail contract, and the sale was made in plain violation of the law which provides for competition in the bidding and, therefore, the contract is null and void. As has been heretofore stated, I stopped the delivery of nine of these ships. The vessels purchased from the Shipping Board have been used exclusively by Lykes Brothers-Ripley Steamship Company to carry the mail under its foreign ocean mail contract on route 57. Mr. Farley's report shows:

"The construction cost of the 52 vessels was.....	\$97,908,893
"The sales price was.....	2,026,005
"Paid in cash on delivery (25 per cent).....	506,500
"Balance payable in 7½ yearly instalments, 3¼ per cent interest.....	1,519,505

"From the beginning of service under the mail contract in April, 1933, to June 30, 1934, this contractor made *net profits*, after deducting income tax, aggregating \$457,051.

"Despite the fact that the Board had previously received an offer from the Isthmian Steamship Line, an American company, to purchase the Far East portion of this fleet at \$12.00 a ton *without a mail contract*, and despite the fact that the Lykes interests had indicated to the Board in 1930 that they would purchase 11 of the vessels at \$18.28 per ton, and later at \$11.00 a ton, the Shipping Board, *without calling for competitive bids*, negotiated a contract for the sale of the entire fleet of 52 vessels at \$5.04 per ton."

Mr. T. V. O'Connor, former chairman of the Ship-

ping Board, wrote Postmaster General Brown on April 20, 1932, prior to the awarding of the mail contract to Lykes Brothers-Ripley Steamship Company:

"The mail compensation which the prospective purchasers (Lykes Brothers-Ripley Steamship Company) have indicated would be acceptable and which would accrue for sailings contemplated in the combined services is \$2,500,000."

Notwithstanding Postmaster General Brown had this information in advance, he awarded the mail contract on only one bid to this company at \$3,071,825 per year, or an increase of \$571,825 over the amount which the company had indicated would be acceptable. The annual mail pay received by the company from the Government was \$1,045,820 more than the total purchase price it agreed to pay in 7½ years to the Government for the entire fleet of 52 vessels, as the following tabulation shows:

Annual pay under the mail contract	\$3,071,825
Sales price for 52 ships	2,026,005
<hr/>	
Excess of annual mail pay over cost of vessels	\$1,045,820

Mr. Farley further states in his report:

"After a review of the record of the Lykes Brothers activities, one is compelled to the conclusion that the effect of their dealings with the Government has been *a distinct detriment to the American Merchant Marine.*

"This route, when established, *was not necessary* 'to afford an adequate postal service' between the ports served.

"The four services to 'the four corners of the earth' were embraced in one advertisement *by the collusive act of responsible Government officials and representatives of the contractor expressly for the purpose of preventing competitive bidding.*

"The combining of these four routes was an illogical grouping. It appears that it would have been more logical and more in the public interest that these services, if necessary, should have been established by four separate contracts.

"The 30 days allowed for the submission of bids was insufficient to enable prospective bidders to survey the services, arrange for the acquisition of the fifty-and-odd ships required, as well as docking facilities and foreign agents, and submit bids.

"Practically the same service as is required by the mail contract is guaranteed for 5 years of the 10-year mail contract term by the ship sales agreement with the Shipping Board.

"The contract is worthless to the Postal Service."

The sole justification for the sale of the ships and the granting of the mail contract to Lykes Brothers-Ripley Steamship Company was to build up the American Merchant Marine. That this object has entirely failed is shown by the concluding paragraph of Mr. Farley's report on this case. It shows that the company not only would be unable to construct any new vessels but that it has dissipated the millions of dollars which it has received from the Government, and in the event of cancellation of the contract would be unable to pay the balance due on the ships:

"If this contract is canceled, the contractor will doubtless default in its payments to the Shipping Board for the balance due on the purchase price of the vessels of (at June 30, 1934) \$1,353,357 and the ships will have to be taken back."

In addition to the contract on route 57, the Lykes Brothers Steamship Company, parent, and the Tampa Interocean Steamship Company, affiliate, of Lykes Brothers-Ripley Steamship Company, hold two other foreign ocean mail contracts, on routes 23 and 45, respectively, which are just as unsavory from the standpoint of the public welfare.

Mr. Farley's report to the President consists of two volumes containing 397 pages. It covers 43 foreign ocean mail contracts. The report shows there was only one bidder on each route and all contracts except one are subject to cancellation, 40 of them because *let in open defiance of the legal requirements for competitive bidding*; only 12 routes are of substantial value as mail carriers, 8 are of slight value, *23 are of no postal value whatever, and a number of them are actually detrimental to the speedy transportation of the mails.* All contracts run 10 years from their dates. Speaking generally concerning the execution of the 43 contracts, Mr. Farley stated:

"It is pointed out that in every case the purchasers of Shipping Board vessels operating over exclusive trade routes were awarded mail contracts. Practically all of them were let at the maximum rates permitted by law, notwithstanding the fact that they had already entered into solemn and binding agreements with the Shipping Board, and supported their agreements with bonds to operate the vessels purchased, over the identical route, for periods of 5 or more years. There was no valid reason, therefore, for awarding mail contracts to those who had entered into such agreements with the Shipping Board and made such bonds, and already were well established and entrenched in their trade routes."

There were 220 vessels sold to operators by the Shipping Board that are being used in mail contract service. They originally cost \$516,174,250. They were sold to the purchasers on long terms for \$41,411,665, the interest rate varying from one-eighth of one per cent to $3\frac{1}{2}$ per cent. If the interest on these loans had been the ordinary commercial rate of 5 per cent additional interest would amount to \$34,855,512.

INTERNATIONAL MERCANTILE MARINE COMPANY

In chapter 15, I called attention that the Baltimore Mail Steamship Company, American Line Steamship Company, and United States Lines Company (Nevada) are subsidiaries of the International Mercantile Marine. I discussed the foreign ocean mail contract on route 46 held by the Baltimore Mail Steamship Company, and also foreign ocean mail contract on route 32 held by the American Line Steamship Company.

Mr. Farley, in his report to the President, in speaking of the foreign ocean mail contracts on routes 43 and 44 held by United States Lines Company (Nevada), calls attention to the operations of the International Mercantile Marine Company. It will be recalled that the United States Lines Company (Nevada) was organized for the purpose of taking over the assets of the United States Lines, Inc. (Delaware) which was organized by Mr. Chapman and Mr. Sheedy. The Chapman interests had been required to furnish a performance bond in the sum of \$2,500,000 when they purchased the *Leviathan* and other ships in 1929, but when the International Mercantile Marine crowd took over this fleet the Shipping Board did not require that this bond, which was most important to the Government, be given. The International Mercantile Marine crowd acquired the fleet by purchasing from the Shipping Board the ship-sales mortgage notes of the Chapman company. Mr. Farley calls attention to this omission in paragraph 4 of his conclusions in relation to the United States Lines Company (Nevada) :

"Conclusions—1. A thorough consideration of the operations of the International Mercantile Marine Company leads one to the conviction that it is unwise and economically unsound for this Government to pay out immense sums as aid for the building of an American Merchant Marine and then permit their control through a network of holding, subsidiary, and affiliated companies, which may in any manner permit the dissipation of the funds provided for ship construction and operation.

"If funds are to be provided for insuring the service which is admittedly the most important to this country, the aid should be given only to a company or to companies directly owned by the investors and not controlled by holding companies.

"2. These contracts were made after their provisions had been negotiated by the bidder and officials of the Post Office Department. The service called for was that then being performed by the bidder and the type, size, and speed of vessels required by the advertisements were the vessels then owned by the contractor, which were the only vessels then available for service on the routes. The time allowed for the submission of bids was not sufficient to enable others than the bidder to arrange to submit bids.

"3. The bids were fatally defective when opened and, instead of being rejected and new advertisements issued, the bidder was permitted to alter the bids so as to make them conform to the advertisements.

"4. Service was guaranteed over these routes by the ship-sales agreement with the Shipping Board of 10 years from April 8, 1929, and a performance bond in the sum of \$2,500,000 was required of the purchaser. However, the subcontractor (United States Lines (Nevada)) was not required to furnish the Shipping Board a performance bond when it purchased the ship-sales mortgage notes (from the Shipping Board). Service was required by mail contract 44 for 5 years from April 24, 1930, with provision for automatic extension for 5 years additional. Contract 43 requires service for 10 years from March 4, 1931. As the lines were carrying mails at poundage rates there appears to have been no postal or trade necessity for the establishment of the mail routes.

"5. Both of these routes are important mail routes. Route 43 is more essential than route 44. The contract on route 44 expires on April 24, 1935. On this route the United States Lines, Inc. (Delaware), made a voyage profit of \$1,921,325.12 on 81 voyages for the period from April 24, 1930, to December 8, 1931. The United States Lines Company (Nevada) made a voyage profit on 56 voyages from December 9, 1931, to December 31, 1932, of \$1,167,939.80. The detailed figures for 1933-1934 are not available. The total voyage profit on the 137 voyages for the period of approximately 2 years 7 months, was \$3,089,264.92. This gross voyage profit is before inclusion of overhead expenses, depreciation on vessels and interest on Shipping Board loans. Deduct from this sum the total mail pay for the period, less what it would have cost on the American poundage basis, or \$1,742,401.73, and there will be a voyage profit of \$1,346,863.19, without the mail contract pay before depreciation, interest, and overhead.

"It is estimated that had all intercompany profits, that is profits on commissions, wharfage, etc., been eliminated and the overhead kept at a minimum, depreciation on vessels figured at cost, the companies would have broken about even for the period under discussion without a mail contract. If such a showing can be made in depression years, then it is reasonable to assume that the vessels in this particular service can be operated at a fair profit in normal times without the aid of a mail contract.

"6. Both are essential trade routes.

"*Recommendations*—1. The contracts may be canceled on the ground that they were entered into without competitive bidding, as hereinbefore outlined.

"2. Contract 44, from New York to London, does not require any construction of new vessels and in the absence of such an obligation, it is believed that the service can be carried on without the aid of mail pay.

"3. If it be deemed not in the public interest to cancel the contract on route 43, it is recommended that the United States Lines Company (Nevada), a subcontractor, be required to reduce the operating and management commissions being paid the Roosevelt Steamship Company, amounting to approximately 19

per cent of the gross voyage revenue (excluding mail) of the subcontractor, to a reasonable and fair commission charge for the service rendered. It appears that if this is done the condition of the United States Lines Company (Nevada) may be improved to an extent that it may be possible to effect a reduction in the mail pay on route 43. It is also recommended that consideration be given to a requirement that the subcontractor divorce itself from any connection with affiliates, subsidiary, or holding companies operating in the intercoastal trade or under foreign flag.

"Effect of Cancellation—If contract No. 44 (to London) is canceled, it is believed that, as already pointed out, the service can continue without Government aid. If contract No. 43 (to Hamburg by fast liners *Manhattan* and *Washington*) is canceled it is probable that some aid will be required by the contractor to continue the service, unless poundage mail increases sufficiently to offset the present difference between the mileage and the poundage pay."

Concerning the Dollar Steamship Line and the Dollar Steamship Lines, Inc., Ltd., contractor and subcontractor, respectively, on foreign ocean mail routes 25 and 27, and the Admiral Oriental Line and the American Mail Line, Ltd., contractor and subcontractor, respectively, on foreign ocean mail route 26 (these companies constitute the Dollar Steamship interests), Mr. Farley's report states:

"Recommendations—1. These three contracts may be canceled on the ground that they were negotiated *without opportunity for competitive bidding*.

"2. Contract 27 may be canceled after August 30, 1935, for failure to provide the new class 3 ship required by the contract.

"3. Cancellation of contracts 25 and 27 may be indirectly brought about by having the Shipping Board exercise its foreclosure rights.

"Effect of Cancellation—If these contracts are canceled, service can be continued on route 26, but cannot be continued on routes 25 and 27 under present trade conditions. At June 30,

1934, the Dollar Lines, contractors on routes 25 and 27, owed the Shipping Board \$16,684,479.79. Of this amount \$1,119,701.79 was past due on construction loans, and \$947,500 would have been past due on ship-sales notes if extensions and reextensions had not been granted. The contractor on route 26 had prepaid all ship-sales notes falling due prior to June 17, 1937, after which \$855,000 will fall due. If the contracts are continued as at present, the contractors will receive about \$18,000,000 in excess of the American poundage rates, whereas they owe the Government a total of \$17,539,479.79."

Concerning the Eastern Steamship Company, contractor on foreign ocean mail routes 15 and 52, Mr. Farley's report states:

*"Conclusions—*The contracts on routes 15 and 52 may be canceled. *They were awarded in violation of the requirement that contracts under the Merchant Marine Act of 1928 be let upon competitive bidding.* The negotiation of the specifications, the conformity of the services to be let, with the then existing services operated by this contractor, and the short time which elapsed between the date of publishing the advertisements and the date when services were demandable precluded competition. In each instance the creation of the postal route was conceived for the purpose (which was carried out) of bringing about the payment of large sums of money to the Eastern Steamship Lines, Inc.

"Full performance of neither contract is required in the public interest. Cancellation of the contract on route 15 will result in a saving of \$1,239,869.73, less amounts paid subsequent to June 30, 1934. Cancellation of the contract on route 52 will result in a saving of \$2,328,338.64, less payments made under the contract subsequent to June 30, 1934. The total saving to be effected by cancellation of both contracts will be \$3,568,208.37, less the total amount of payments made on both contracts from June 30, 1934, to the effective date of cancellation.

"It should be pointed out that this contractor has received considerable governmental aid in the form of loans, and that the proceeds of these postal contracts are available for use by this

contractor in the protected coastwise trade competing with American flag lines which are not aided by postal contracts.

"It should also be remembered that no construction was required on route 15, and that sums heretofore received by the contractor under the two contracts are considered sufficient to offset any construction differential growing out of construction requirements in the contract for route 52."

GRACE STEAMSHIP COMPANY

Concerning the Grace Steamship Company and its affiliate, the Panama Mail Steamship Company, contractors on foreign ocean mail routes 8, 37 and 38, Mr. Farley's report states:

*"Conclusion and Recommendations—*The contracts for foreign ocean mail routes Nos. 8, 37 and 38 may be canceled because they were *awarded in violation of the law requiring that such contracts be let upon competitive bids.* The contracts were negotiated and the specifications, compensation, and construction requirements so arranged, together with the times of advertisement and dates when performance was demandable, that there could have been and was in each instance only one bidder, the selected agency of the Grace interests.

"Effect of Cancellation—(a) The United States will save the sum of \$13,119,525.47, less payments made between July 1, 1934, and the effective date of cancellation, which payments have been averaging \$218,171.60 per month. *It will be observed that delay in cancellation will effect a decrease in the amount which may be saved slightly in excess of \$7,000 per day.*

"(b) The Grace interests will be deprived of \$13,119,525.47, but will be released from their obligations to maintain the services and transport the mails.

"(c) The mails (except from San Francisco to La Libertad which may be delayed one day) will move with equal or greater expedition.

"(d) No construction demandable under the contracts will be prevented, all such construction being now completed."

Concerning the Oceanic and Oriental Navigation Company, contractor on foreign ocean mail routes 30, 31, 48 and 49, Mr. Farley's report states:

*"Conclusions—*It is concluded that these contracts may be canceled for the following reasons:

"(1) Because they were not awarded as the result of competitive bidding as provided by law, but on the other hand were awarded as the result of negotiations between the contractor, the Post Office Department, and the Shipping Board.

"(2) The service having been established and guaranteed for a period of 5 years from the date of sale of the vessels (by the Shipping Board), it was contrary to public policy to award the mail contracts solely for the purpose of granting a subsidy to these four established trade routes.

"(3) Because the contracts on foreign ocean mail routes 30, 31, 48 and 49 are not and never were intended to be in accordance with the requirements of the postal service nor for the purpose of providing an adequate postal service 'between the ports.' "

Concerning the New York and Cuban Mail Steamship Company, contractor on foreign ocean mail routes 20 and 21, Mr. Farley's report states:

"Conclusions—1. The contracts were negotiated and competitive bidding was precluded.

"2. Full performance of the contracts is not required in the public interest."

UNITED FRUIT COMPANY

Concerning the United Fruit Company, contractor on foreign ocean mail routes 39, 40 and 41, Mr. Farley's report states:

*"Conclusions and Recommendations—*It is believed that the cancellation of the three contracts is justified because (a) they were awarded as a result of negotiation and *not as a result of open, competitive bidding as required by law, and are therefore*

illegal; (b) full performance of these contracts is not required in the public interest and their cancellation would result in a saving to the United States of the sum of \$15,640,643.82, less any amount paid since July 1, 1934; (c) the respondent is primarily an industrial concern, and taking the broadest possible view of the question it does not need the aid of the United States in the maintenance of its fleet of cargo-carrying ships."

The United Fruit Company, with assets of \$150,000,000, never had the slightest right to any subsidy. It prospered even during the depression; its lines are industrial lines carrying bananas principally; 64 of its 95 ships were actually foreign flag ships. Every dollar of mail subsidy paid to this company in addition to poundage rates was improperly bestowed and should be recovered by the Government. At the request of the company the smallest of the three contracts was canceled. The request was made to relieve it of its obligation to construct two new ships to cost about \$7,000,000. The total pay under the two remaining contracts, 39 and 40, for the entire period covered by the contracts, is \$15,570,000.

Concerning the Munson Steamship Line and its affiliate, the Gulf Mail Steamship Company, contractors on foreign ocean mail routes 4 and 22, Mr. Farley's report states:

*"Conclusions and Recommendations—*The contract on foreign ocean mail route No. 22 may be canceled for failure to substitute the new vessel required to be furnished in 1932. The full performance of this contract is not required in the public interest. The commercial value of the route is negligible and it has no postal value.

"The contract for foreign ocean mail route No. 4 may be canceled, for there could be and there was no competitive bidding on the route as required by law. The specifications, including

the service to be performed, and the types, sizes, and speed of ships to be operated over it, precisely conformed to the then existing service and equipment of the Munson Steamship Line, and the time elapsing between the date when the route was advertised and the date when performance was demanded did not permit the formulation of an intelligent bid by any party other than the Munson Steamship Line. Further, a prospective bidder other than the Munson Steamship Line would have been met by 2 years of guaranteed directly competitive operation on the route by the Munson Steamship Line.

"The contract was let in violation of the public interest, for when it was let the Government was entitled, without the expenditure of any money, to receive adequate service over this route for a period of at least 2 years."

Concerning the Atlantic and Caribbean Steamship Company, contractor on foreign ocean mail route 18, Mr. Farley's report states:

"Conclusions—This contract may be canceled, having been awarded in violation of the law requiring competitive bidding and the contractor having failed to put into operation on the route an additional vessel of class 5, capable of maintaining a speed of 13 knots at sea in ordinary weather, and a tonnage of not less than 3,000 tons, immediately after completion of the third year of the contract as required by the contract. Cancellation will effect a saving of \$1,355,953.72, the estimated contract pay in excess of the amount which will be necessary to transport the mails at the American poundage rate."

I now have covered 25 of the 43 foreign ocean mail contracts. The remaining 18, so far as their execution and other general attributes are concerned, are of a similar character to those described. As Mr. Farley reported, "always the favored bidder got the contract."

Mr. Farley's report shows:

"Thirty-one new vessels (29 are under mail-contract service) have been constructed at a cost of \$137,642,789.86, and 41 re-

conditioned at a cost of \$15,911,436.60 thus far under the provisions of the mail contracts, or a total of \$153,554,226.46."

These 31 new and 41 reconditioned ships have cost the Government (a) the immense loss sustained on the sale of 220 ships; (b) mail pay to June 30, 1934, less poundage rates, \$119,257,756; (c) loss of interest because of low rates given contractors, \$34,855,512.

Mr. Farley's report further states:

"The following sums remain unpaid by the ocean mail contractors to the Shipping Board as of June 30, 1934:

	<i>Unpaid balance</i>	<i>Past due including interest</i>
"Construction loans	\$ 85,783,792.82	\$1,540,709.26
Reconditioning loans	8,647,187.11	406,592.10
Ship-sales	16,935,777.75	3,084,877.56
Total	\$111,366,757.68	\$5,032,178.92

"The following amounts on the hereinbefore mentioned loans will fall due during the life of the mail contracts:

"Construction loans	\$27,875,759.54
Reconditioning loans	4,809,255.53
Ship-sales notes	14,079,661.24
Total	\$46,764,676.31

"Therefore it will be seen that without any calculation of interest whatever the Shipping Board will have indebtedness outstanding against old ships and new ships constructed of approximately \$65,000,000 when all the mail contracts expire, and during this time the contractors will have received about \$189,000,000 from mail pay, or \$142,000,000 more than the amount they will be required to pay on the construction loans, reconditioning loans and ship-sales notes."

On June 30, 1934, the contractors' loans were past due over \$5,000,000, notwithstanding their receipt of

millions in mail pay. What chance will there be after the expiration of the mail contracts, when the boats will be old and becoming worn out, for the Government to collect the \$65,000,000 which will still be due it?

The contractors, to June 30, 1934, had invested \$45,960,269 of their own money in the ships. Contrast this sum with the \$119,257,756 paid them under mail contracts.

The vast sums of money which have been spent for the purpose of maintaining and building up the American Merchant Marine have been almost entirely wasted. That the President was fully informed of this condition was shown by his message to Congress on the subject, on March 4, 1935, when he said:

"Reports which have been made to me by appropriate authorities in the executive branch of the Government have shown that some American shipping companies have engaged in practices and abuses which should and must be ended. Some of these have to do with the improper operating of subsidiary companies, the payment of excessive salaries, the engaging in businesses not directly a part of shipping, and other abuses which have made for poor management, improper use of profits, and scattered efforts."

In fact, years before he sent his message to Congress—even from the time of their organization in the Wilson Administration—the President has been familiar with the conditions of waste and extravagance prevailing in the Shipping Board and its corporation, the Merchant Fleet Corporation (formerly called Emergency Fleet Corporation). In a letter to *The New York Times*, dated May 2, 1924, he protested the continuing loss to the Government which was occurring in these agencies. The letter to *The Times* was published

in The Washington Merry-Go-Round column of Drew Pearson and Robert S. Allen on September 23, 1936. The letter, taken from their column, follows:

"To the Editor of The New York Times:

"While I assume that the figures below, showing the operating losses of the Emergency Fleet Corporation, have been printed in the newspapers of the country, I do not happen to have seen them until recently. *I was utterly amazed; and I am wondering how many citizens are aware of these figures.*

"The operations of the Emergency Fleet Corporation were, to be sure, started under the Administration of President Wilson. It was not contemplated at that time that serious losses to the Government would result. I feel very certain that no member of President Wilson's Administration would have approved the continuation of a Government business enterprise which is apparently costing the taxpayers over \$40,000,000 a year net loss."

"Roosevelt then proceeded with a tabulation of the losses during the Harding Administration of the Emergency Fleet Corporation.

"After a technical discussion of these losses, Mr. Roosevelt concluded:

"I wonder what the two great parties will say about the continuation of the Emergency Fleet Corporation and the Shipping Board on present lines when the platforms are brought out next June?"

In view of the full information in the hands of the President it is difficult to understand why the ocean mail contracts were not canceled as were the air mail contracts. The air mail contracts were canceled February 9, 1934.

NEW SHIP SUBSIDY LAW ENACTED

In the dying hours of the last session, a ship subsidy bill was jammed through Congress as the result of a

threatened filibuster by Senators Black, Guffey, Clark and other Senators. The Senate had passed the bill but the House refused to pass it until it became apparent that a filibuster in the Senate would keep Congress in session and prevent members from attending the Democratic and Republican National Conventions if the bill were not passed. So in order to facilitate the passage of the bill, the Rules Committee of the House reported a "single rule" for passage which was adopted by a *standing vote* of 225 to 21. This standing vote did not put the members on record and no one knows now who voted for or against the rule or the bill.

It is believed by the sponsors of the new law that it will greatly improve the present situation. It provides for the appointment of a Maritime Authority of five members at a salary of \$12,000 per year for a term of six years. This Authority will disburse hundreds of millions of dollars in a few years. All the assets of the Shipping Board, consisting of \$104,836,000 cash and \$107,720,000 loans, besides a large number of ships, are to be turned over to the Authority. The law permits the Authority to pay subsidies up to one-half of the total cost of ships to be built and it can loan an additional 25 per cent of such cost at $3\frac{1}{2}$ per cent interest, to be paid in 20 years. It is usually understood the life of a boat is 20 years. The new law also permits "operating subsidies" to be paid in order to equalize the difference in the cost of operating American vessels and foreign vessels, including the difference in wages.

Under the procedure to be followed, a contractor desiring to construct a ship costing a million dollars may secure one-half of this amount, or \$500,000, as a

subsidy, or gift. Then he can borrow \$250,000 more on the ship to be paid in 20 years at 3½ per cent interest. Then he will be granted such operating subsidy as the Authority will allow. Undoubtedly all contractors will be permitted to prosper so it is possible the loan may be paid from the operating subsidy furnished by the Government. The expenditure of all these millions which the law contemplates will be spent, probably running to \$75,000,000 a year, is left almost entirely to the discretion of the Authority.

All pay on mail contracts is to end June 30, 1937. The Authority is authorized to settle claims of mail contractors for payments provided by their contracts after that date. The unpaid amounts will run to about \$150,000,000. In most instances, instead of making further payments to contractors they should be forced to disgorge many millions which have been unjustly paid them. The only check on the Authority in settling these claims is the right of the Attorney General, *within the very short period of two months*, to appeal for the Government to the Court of Claims.

So it will be observed, the contractors have a tremendous "stake" in the selection of the members of the Authority. The results to be obtained under the new law will depend almost entirely upon the character of those whom the President appoints to administer it. If those selected are favorable to the racketeers of the shipping fraternity, one of the greatest debauches in governmental waste ever witnessed in this country will result.

CHAPTER XVIII

FRAUDULENT AIR MAIL CONTRACTS CANCELED

Amidst a fanfare of publicity Postmaster General Farley, by the President's direction, in February 1934, canceled 26 contracts for carrying the mail which the Government had with 12 airline companies. The cancellation was made on the order of President Roosevelt after many conferences among high officials of the Government. The order was based on the charge that collusion between the air mail operators and public officials prevented competition in the bidding for the contracts, and their award at exorbitant rates to certain companies favored by former Postmaster General Walter F. Brown and other Post Office Department officials constituted a fraud on the Government.

The cancellation of the contracts was a sequel to many months of intensive investigation by the Special Senate Committee to Investigate Air Mail Contracts. The scandalous conditions unearthed by the Committee had furnished headline news for several weeks. During this period it was freely predicted in the press that cancellations would come about and that companies would be sued for the return of large amounts of excessive payments made to them, and that criminal prosecutions would result. Universal News Service of January 27th carried an article containing the statement that "the Justice Department meanwhile continues its preparation for early criminal action against a long list of figures involved in the aircraft scandals."

When the cancellations were made Postmaster General Farley gave out the following news release:

"This order annulling the existing domestic air mail contracts has been issued after careful and deliberate study of the entire situation, which study included conferences between myself and other officials of the Post Office Department with the President and with the Attorney General and other representatives of the Department of Justice. All have concurred in the decision reached. The entire matter was canvassed this morning at the Department of Justice in a conference participated in by myself, Attorney General Homer S. Cummings; Karl A. Crowley, Solicitor of the Post Office Department; Harllee Branch, Second Assistant Postmaster General; Col. Carl L. Ristine, Special Assistant to the Attorney General; Angus D. McLean, Assistant Solicitor General; and Alexander Holtzoff, Special Assistant to the Attorney General.

"Following the cabinet meeting this afternoon, a conference was held between the President, the Attorney General and myself, and it was at this conference that a final decision was reached."

The President immediately issued an Executive Order which resulted in the Army undertaking to fly the mail until new contracts could be made.

Twelve Army pilots were killed during the short period intervening between the cancellation of the old contracts and the execution of the new ones.

It was a foregone conclusion that the attempt of the Army to fly the mail would result in many catastrophes. At that time very few Army pilots had done any night flying in bad weather. Army night flying had been confined almost exclusively to pleasant weather when the revolving beacons could be clearly discerned.

All the difficulties which resulted in these fatalities did not, by any means, arise from the incompetence of the Army pilots. Misleading radio beams on the De-

partment of Commerce civil airways system were great contributing factors. The Army had delegated a group of young pilots, not their seasoned veterans of the air, to the difficult task of flying the mail. These pilots had been trained to believe that the much advertised radio beam would lead them precisely to their destination. Accustomed to following orders, they failed to realize until too late that many of the radio beams would likely lead them directly into a mountain side instead of charting their course safely.

The commercial transport pilot, through years of flying his route, is intimately familiar with each mountain peak, canyon, and pass on his run, and of equal importance, is fully aware of the deficiencies of the radio beams. He knows where in the mountainous regions the beams break into dangerous multiple courses and branch off into different directions. Forewarned, the commercial pilot is forearmed.

The importance of familiarity with the course in the eyes of transport operators is evident from their practice of requiring that the new pilot, Army graduate though he may be, act as co-pilot for at least one year before he may take charge of a plane as first pilot.

The transport pilot knowing thoroughly the terrain over which he flies has many opportunities to make a safe forced landing. These opportunities were not available to the Army pilots who were unacquainted with the terrain.

Secretary of Commerce Roper was so impressed by the publicity attending the cancellation of the contracts that he sent me post-haste a memorandum, with newspaper clippings attached, directing the dismissal of

Colonel L. H. Brittin, vice president of Northwest Airways, who then represented the Department of Commerce as State adviser for the Minnesota CWA airport projects, reading:

"In view of the attached papers, I feel that Colonel Brittin should be removed, not, however, for cause necessarily, but for administrative reasons. Let the notice be for administrative reasons."

Colonel Brittin offered to resign but was ousted on account of his connection with the letting of the air mail contracts and his attempt to destroy evidence which had been subpoenaed by the Senate Committee.

The decision of the President, Attorney General Cummings, and Postmaster General Farley to cancel the contracts was based upon the opinion of Mr. Karl A. Crowley, Solicitor for the Post Office Department, which, in turn, was based largely on the evidence collected by the Senate Committee.

It was alleged, as stated, that the contracts were executed as a result of fraud and collusion. In order that a clear understanding may be had of just what these charges consist, I quote definitions of the two words from Ballantine's Law Dictionary:

"Fraud: Conduct which operates prejudicially on the rights of others and is so intended.

"Collusion: An agreement between two or more persons to defraud another of his rights by the forms of law or to secure an object forbidden by law."

The Senate Committee's investigation was carried on with great patience, determination, and endless labor in the face of most trying circumstances. It was shown that about the time of the departure from office

of Postmaster General Brown several sacks of correspondence and papers relating to air mail contracts were burned in the furnace of the Post Office Department. It was contended by the officials who were responsible for burning these papers that they were merely personal papers. The Senate Committee contended that many of the papers destroyed were really official papers of importance concerning the question of fraud in the air mail contracts. Carbon copies of some of these papers had disappeared from the files of other officials.

Because of their failure to obey the subpoena of the Senate Committee to produce certain files relating to air mail contracts Mr. William P. MacCracken, Jr., former Assistant Secretary of Commerce for Aeronautics, and Col. L. H. Brittin were sent to jail for ten days for contempt of the Senate. Col. Brittin had taken time by the forelock and destroyed certain papers but investigators for the Committee, after going through a large number of sacks of waste paper in the basement of the building where Col. Brittin had his office, finally dug out the papers and pasted them together so they could be used by the Committee. Numerous other papers and documents which the Committee required in its investigation had been lost, destroyed, or were strangely missing. In some instances the Committee was able to replace them with copies.

The testimony taken by the Committee concerning air mail contracts is contained in five printed volumes and covers about 2,300 pages. Witnesses appearing before the Committee consisted of former public officials, present officials, numerous air mail officials, lawyers and lobbyists for air mail contractors.

One of the most interesting of the witnesses who appeared before the Committee was Col. Paul Henderson, vice president of United Aircraft & Transport Company. He formerly had served as vice president of Transcontinental Air Transport and general manager of National Air Transport. Col. Henderson for three and one-half years was Second Assistant Postmaster General of the United States, leaving the service in August, 1925. While in the Post Office Department he became thoroughly conversant not only with postal affairs but with officials of that Department as well as the Department of Commerce, under whose jurisdiction were all civil and commercial aeronautical activities.

The Post Office Department and Commerce Department had an interdepartmental committee on aeronautics consisting for the Post Office Department of Second Assistant Postmaster General W. Irving Glover, Superintendent Division of Contracts, Air Mail Service, Earl B. Wadsworth, and the assistant to Mr. Glover, Mr. Chase C. Gove, who acted as Second Assistant Postmaster General when Mr. Glover was absent from Washington. The Commerce Department committeemen were Assistant Secretary of Commerce for Aeronautics William P. MacCracken, Jr., Chief Engineer of the Airways Division F. C. Hingsburg, and Chief of the Regulations Division Harry H. Blee.

Mr. MacCracken was the first Assistant Secretary of Commerce for Aeronautics. He, Hingsburg and Blee were largely in charge of the development of aviation in the Bureau as they were in charge of the activities of the Bureau from its inception until 1929 when Mr. MacCracken resigned to become big-time lobbyist

for air line companies which then were being rapidly organized. Since that time he has been the head of the air line lobby in Washington and has represented as many as eight companies at one time.

The initial air mail contracts had been entered into in the fall of 1925 and were due to expire about six months after Mr. MacCracken left the Commerce Department.

The McNary-Watres bill, which treated extensively of air mail contracts, was pending in Congress in 1930. Mr. MacCracken, Col. Henderson, and Postmaster General Brown had had a large hand in its preparation. It carried a provision empowering the Postmaster General to extend the air mail contracts for a term not to exceed ten years from their original date. If this bill were not passed before the air mail contracts expired, it would have been necessary for the Postmaster General to advertise for bids for carrying the mail over the routes covered by the contracts. Of course, those companies holding the contracts wanted to avoid entering into competitive bidding and were exceedingly anxious to secure the passage of the bill before their contracts expired. The bill had passed the House and was held up in the Senate. At that time Simeon D. Fess was a Senator from Ohio and also Chairman of the Republican National Committee. Colonel Henderson employed his son, Lehr Fess, to urge the passage of the bill in the Senate. Mr. Lehr Fess was United States District Attorney and lived at Toledo, Ohio. He came to Washington and in two days succeeded in getting the bill through the Senate. For this service Colonel Henderson paid him \$3,000.

A very good description of the effects of collusion

between contractors bidding on Government contracts is given in an opinion by former Comptroller General of the United States J. R. McCarl:

"The provisions of section 3079, Revised Statutes, require generally that all contracts in any of the Departments of the Government, except for personal services and except in cases of emergency, be made after advertising a sufficient length of time previously respecting same. Among the apparent purposes of this requirement are:

"(1) To give all citizens an equal right to compete for their share in the Government's business;

"(2) To prevent fraud and collusion on the part of officers and employees in the awarding of Government contracts; and

"(3) To obtain for the Government the benefit of getting its needs supplied at the lowest prices available.

"Responsible, loyal, and conscientious administrative heads of Departments and establishments of the Government drawn for intervals from the body politic to serve their Government—should not be subject to the pressure of would-be contractors, nor should legitimate contractors be required to indulge in questionable practices in order to secure public contracts."

The Senate Committee's investigation disclosed that the things Comptroller General McCarl said the law was designed to prevent, namely, fraud, favoritism, waste, and extravagance, were rampant in the making of the contracts which were canceled.

The laws of the United States (Title 39, Code) expressly prohibit combinations to prevent competitive bidding. For the first offense the person so offending shall be disqualified to contract for carrying the mail for five years; and for the second offense shall be forever disqualified. It was under this provision that air line companies whose mail contracts were canceled were not permitted to bid on the new contracts. The Supreme Court of the United States repeatedly has

held that collusion among bidders to prevent competitive bidding constitutes fraud and has sustained the cancellation of contracts because competition in the bidding had been prevented.

*POSTMASTER GENERAL BROWN CALLS SECRET
CONFERENCE*

Postmaster General Brown had urged upon Congress a provision in the McNary-Watres bill granting him the authority to make air mail contracts without competitive bidding. Congress had refused to do that but immediately upon the passage of the bill Mr. Brown inaugurated plans to prevent competitive bidding. He first called a conference in his office of certain air line operators and told them to get together among themselves and divide up the air mail business of the country so that there would be no competition in the bidding. The conference selected Mr. MacCracken as chairman. At the end of sixty days the committee representing the conference submitted a report through Mr. MacCracken to Postmaster General Brown in which it was stated an agreement had been reached as to the distribution of certain air mail business of the country but conflicting interests had prevented an agreement as to the distribution of the business in other portions of the country. Then commenced a process of high pressure applied by Postmaster General Brown and his subordinates, Mr. Glover and Mr. Gove, upon certain companies to induce them to merge with or sell out to companies favored by Postmaster General Brown and his subordinates for the contracts. The conference was confidential and only those who had been invited were admitted.

Colonel Brittin stated in a letter written during the sessions of the conference to his company, the Northwest Airways:

"The Postmaster General was not able to get the necessary legislation in the Watres bill to enable him to grant air-mail contracts to passenger-carrying lines without competitive bids. He has made up his mind to do this anyway and has hit upon a plan that is causing the operators no end of trouble. He has conceived, probably in iniquity, a plan for three main transcontinental routes competitively operating and several north-and-south lines as well. To work things out, he called the operators together, handed them this map, and instructed them to settle among themselves the distribution of these routes.

"Warn everybody working on the Omaha-Sioux City situation that the operators' conference here and the Postmaster General's plan for rearranging air-mail lines is supposed to be confidential, and if it were treated as common property in our territory he would get sore and take it out on us. Permit no newspaper stories of any kind and have this matter handled, so far as possible, confidential regarding the general public."

Colonel Henderson, describing the conference and the contracts that resulted, in a communication to his board of directors, said:

"These negotiations eventually resulted in the creation of over 13,000 miles of new air-mail routes. In two cases, formal bids were called for, namely, in the route from New York to Los Angeles, by way of Pittsburgh, Indianapolis, and Kansas City, and the route from Atlanta to Los Angeles, by way of Dallas, Fort Worth, and El Paso. Bids for these routes were received in September 1930, and awards were made and operations started shortly thereafter. Although these two biddings took the form of usual Government mail-contract biddings, they were in fact not competitive, since the Postmaster General had dealt with potential bidders to a point where all were eliminated except the successful bidder in each case. There was one bidder on the New York-Los Angeles route other than the

successful bidder, but, although his bid was lower, it was rejected. In certain cases of elimination, contracts were made calling for the purchase of lines of possible potential bidders by lines which later became the successful bidders."

In a letter to Mr. Patrick J. Hurley, then Secretary of War, Mr. Earl P. Halliburton, an official of Southwest Air Fast Express, operating passenger lines between Dallas, Fort Worth, Kansas City and St. Louis, and Fort Worth, Dallas, Wichita Falls and Sweetwater, Texas, complained his company had been excluded from the bidding because Postmaster General Brown had included in the specifications for bids a provision that no company would be considered unless it had been engaged in regular *night flying operations for more than six months*, when there was no provision of the law to justify that specification. He asked Secretary Hurley's assistance in getting him an opportunity to bid. Mr. Halliburton stated in his letter:

"The effect of these advertisements is to automatically eliminate the Southwest Air Fast Express and such other lines as have been established with a view to developing the passenger business."

The Comptroller General of the United States held the insertion of the night flying provision was illegal because it was not authorized by law and resulted in eliminating competition in the bidding.

Assistant Attorney General John L. O'Brien rendered an opinion that the contracts should not be awarded on the basis of the specifications containing the night flying provision because it was contrary to law and recommended the bids be rejected and the routes re-advertised with the night flying provision eliminated. However, Postmaster General Brown,

ignoring the complaints of operators, the opinion of the Comptroller General and the opinion of the Assistant Attorney General that the inclusion of the night flying provision in the specifications was illegal, went right ahead and awarded the contract to carry the mail from New York to Los Angeles via Pittsburgh, Indianapolis, St. Louis and Kansas City to Transcontinental and Western Air; and the contract to carry the mail from Atlanta to Los Angeles via Dallas and El Paso to American Airways.

Who, do you suppose, inserted this restrictive clause in the specifications? Was it the Postmaster General? Was it one of his subordinates? It was none other than Mr. William P. MacCracken, Jr., not an officer of the United States but a paid lobbyist of the companies who wanted to restrict other companies from bidding, and chairman of Postmaster General Brown's secret conference!

Mr. Halliburton testified before the Senate Committee that Assistant Postmaster General W. Irving Glover said to him during the time he was persistently attempting to secure the elimination of the night flying provision:

"I will ruin you if it is the last act of my life. You have tried to buck this thing all the way through and you are not going to do it."

The excuse given Mr. Halliburton for not permitting him to bid was that he wanted to carry the mail *too cheaply!*

About this time Mr. Halliburton had sent a telegram to Mr. D. M. Shaeffer, who was then chairman of the executive committee of Transcontinental Air

Transport, representing the interests in that company of the Pennsylvania Railroad of which he was Chief of Passenger Transportation, saying:

"Unless I have definite assurance that there is to be an immediate adjustment I shall demand a right to bid on all extensions and new routes and am in better position to do this than anyone else in the business."

Mr. Halliburton and his influential friends, including Secretary of War Patrick J. Hurley and a man who had served as secretary to President Coolidge, and others, raised so much disturbance American Airways was forced to buy his company for \$1,400,000, contingent upon the American Airways securing the mail contract.

Mr. Halliburton testified before the Senate Committee he believed the assets of his company at the time of the sale were worth from \$700,000 to \$800,000. American Airways had the property appraised and fixed the value at \$569,000. The same property later was sold to Western Air Express for \$284,000. If the latter price were the actual value of the property the overpayment to Mr. Halliburton was \$1,116,000, showing the great profit the American Airways had in its air mail contract.

Postmaster General Brown insisted that American Airways buy Mr. Halliburton's company. On this subject Mr. F. G. Coburn, president of American Airways, testified:

"The CHAIRMAN: Who told you to buy them out?

"Mr. COBURN: Oh, the Postmaster General had put us through that territory and it was up to us to make a satisfactory arrangement with them."

"The CHAIRMAN: The impelling motive for buying it was because you were told to by the Postmaster General?

"Mr. COBURN: Yes, sir. I understood perfectly that it was a necessary preliminary that Mr. Halliburton should be traded into a position that would be satisfactory to him."

But that was not the only company they needed to get out of the way. There was another, a little one, the Delta Air Service, which did not have as much political influence as Mr. Halliburton's, but it was a pioneer company and was threatening to bid. It wanted a contract. It was about to block the award of the contract to the southern route which Postmaster General Brown desired to give American Airways. The Delta Air Service was a claimant to this route, according to the MacCracken report. It was forced to sell at 50 cents on the dollar. Their representative, Mr. Woolman, testified he did not want to sell:

"The CHAIRMAN: You were to get together?

"Mr. WOOLMAN: On a satisfactory basis to American Airways, ourselves, and the Post Office Department.

"The CHAIRMAN: Mr. Brown had told you that, had he not?

"Mr. WOOLMAN: Yes, sir. We told him it seemed we would have to sell out and we were not entirely satisfied with the figure, and he assured us American Airways would do the right thing; he was sure.

"The CHAIRMAN: That was Postmaster General Brown?

"Mr. WOOLMAN: Yes, sir."

"The CHAIRMAN: Well, the question is, did you want to continue to operate a line?

"Mr. WOOLMAN: Yes, sir.

"The CHAIRMAN: Or did you want to sell?

"Mr. WOOLMAN: I preferred to operate.

"The CHAIRMAN: You had been in that business how long?

"Mr. WOOLMAN: In airplane operations since 1925.

"The CHAIRMAN: And you sold because you had to, did you not, Mr. Woolman?

"Mr. WOOLMAN: Well, it was that or else.

"The CHAIRMAN: What percentage of what your company cost you did they finally pay you?

"Mr. WOOLMAN: I think we received approximately 50 cents on the dollar for the money we had spent in our operations."

What business was it of Postmaster General Brown to be telling a pioneer operator, who had been operating a line, the first line that was ever operated over the route he was flying, to sell out to American Airways? Mr. Hainer Hinshaw, a representative of American Airways, testified:

"The CHAIRMAN: Did you not keep Mr. Woolman informed as to Mr. Brown's attitude?

"Mr. HINSHAW: Yes; because we had some difficulty in arriving at a price with Mr. Woolman for his service.

"The CHAIRMAN: Why was it necessary for Mr. Brown to be consulted about that?

"Mr. HINSHAW: Mr. Brown laid down the premise that we had to buy them out, and I rather suspect, when they found they had to be bought out, they put up their price."

Thus, it will be seen that Postmaster General Brown was directing which companies should sell, which companies should buy, which companies should merge, and was influencing the prices paid.

Transcontinental and Western Air is a combination of Transcontinental Air Transport and Western Air Express. Western Air Express was forced into this combination by Postmaster General Brown. Mr. Harris M. Hanshue, president of Western Air Express, testified that his company would not have gone into

the combination except they knew they would not get a mail contract unless they did. He testified:

"The CHAIRMAN: So the combination was made conditional on getting a mail contract, wasn't it?"

"Mr. HANSBUE: Yes, sir.

"The CHAIRMAN: If you had thought it was to be competitive bidding you would have gone on and taken your chance on competitive bidding rather than to have combined with a company that you objected to combining with, would you not?"

"Mr. HANSBUE: Yes, sir.

"The CHAIRMAN: You reached the conclusion, after a month or two, and many discussions, that your only chance to get any kind of a contract over your lines was to combine with Transcontinental Air Transport?"

"Mr. HANSBUE: Yes, sir.

"The CHAIRMAN: And that is the reason that you combined, and the only reason, is it not? You still objected to it when you did it, did you not?"

"Mr. HANSBUE: Yes, sir.

Postmaster General Brown had inspectors of the Post Office Department going over the country appraising the value of the property of these two private companies in order that they might combine and deprive the Government of a competitive bid. There was some controversy between the two companies as to their values. Concerning this Mr. D. M. Shaeffer testified:

"The CHAIRMAN: Did you go to see Postmaster General Brown about the disagreement over the value?"

"Mr. SHAEFFER: We did.

"The CHAIRMAN: Did you present the matter to him to determine what all the property was worth? Did he arbitrate it for you?"

"Mr. SHAEFFER: Yes, sir. He set an appraised value on the land through the inspectors of the Post Office Department."

The Supreme Court of the United States repeatedly has held that the courts have always regarded the Government as somewhat in the character of a ward, and its officers in the character of its guardians, and they have never given effect to a contract where it appeared that the contractor sought to impair the good faith of the guardian. The corrupt purchase of political or personal influence is most insidious, and in its results as bad as direct bribery.

The courts hold that contracts secured by political influence are void. Mr. Hanshue testified before the Senate Committee that he and his board of directors felt "that it was through the friends of Western Air Express who are influential in politics that it was possible to secure the award of this contract—to Western Air Express and Transcontinental Air Transport—and its approval by Government officials."

While the Post Office Department was waiting for the Comptroller General's opinion concerning the awarding of the air mail contracts, Mr. James G. Wooley, an officer of Transcontinental and Western Air, employed Mr. Ernest R. Smoot, son of Senator Reed Smoot, to attempt to "expedite" action by the Comptroller General on their contract. At that time Senator Smoot had been representing Utah in the United States Senate for nearly 30 years. He was chairman of the important Senate Committee on Finance and probably was the most influential Republican in the Senate. He wrote a letter to the Comptroller General, saying:

"I have been asked by certain constituents of mine if it is not possible to expedite decision on the Transcontinental and West-

ern Air case which is before you. If it is possible for you to do so I shall greatly appreciate it."

Mr. Ernest W. Smoot wired Mr. Wooley:

"Have assurance that the whole matter will be settled next week."

For this service Mr. Ernest W. Smoot was paid \$2,500.

There was much commotion about awarding the contracts in face of the adverse opinions of the Comptroller General and Assistant Attorney General and the loud protests of air line operators who were being excluded from bidding on account of the night flying provision. There also was much objection to awarding the central route to Transcontinental and Western Air, the high bidder. In this connection Assistant Postmaster General W. Irving Glover wrote his assistant, Mr. Chase C. Gove:

"There is no use recommending award be made to the high bidder and then getting cold feet. We had better all stick together or we will all hang together."

The low bid was on the basis of 64 per cent of the maximum rate per mile allowed under the law, while the bid of Transcontinental and Western Air was 97½ per cent per mile. The Government would have saved \$835,215 per annum if the low bid had been accepted.

According to testimony before the Committee by Mr. Wooley, Postmaster General Brown got cold feet at about this time and said he would not approve the Transcontinental and Western Air contract unless he was assured by Senator Smoot and Congressman Tilson, then the Republican leader of the House, that he would not be attacked in Congress. Mr. Wooley said

he secured this assurance from Senator Smoot and Mr. Tilson and the contract was signed.

*THE NEW DEAL, TRUE TO FORM, REPUDIATES ITS
SOLEMN ACTION*

As a result of the disclosures by the Senate Committee there was widespread public sentiment for the cancellation of these contracts and the New Deal, true to form, responded in a big way with strong intimations that there would be numerous criminal prosecutions and civil actions for the recapture of millions in excess profits wrongfully paid. Now, two and one-half years after the event, when this public sentiment has been lulled into forgetfulness by the belief that the criminal prosecutions and civil actions would be forthcoming in due time, the New Deal, also true to form, completely reverses itself and Attorney General Cummings sends Postmaster General Farley an opinion which not only holds there was no criminality involved, no fraud, no collusion, and no excess profits to be recovered, but actually recommends payment of more than \$600,000 in settlement of five of the fifteen cases for damages, claimed on account of the cancellations, pending in the Court of Claims.

The suits settled were those of the American Airways (2 suits), Transcontinental and Western Air, Northwest Airways, and Western Air Express.

The four contractors named, asserting damages of \$8,841,095, offered to settle for an aggregate of \$601,511, which they claimed was the amount of the earnings which had accrued under their contracts prior to date of annulment.

The remaining ten cases, involving \$6,483,420, no doubt will be settled on the same basis.

Postmaster General Farley favored settlement of the cases and requested the opinion of Attorney General Cummings as to the advisability of doing so. General Cummings, in furnishing a favorable opinion, stated:

*"There can be no reasonable doubt that the arrangements, understandings and agreements out of which the route certificate (contract) grew, were highly irregular, and interfered with the freedom of competition contemplated by the statutes. * * **

"It is our opinion that the irregularities referred to are not such as to justify or require criminal prosecution. Such irregularities would, however, be pertinent and vital factors in the event of further litigation.

"The controversy is, therefore, one which, in the exercise of a sound discretion, may appropriately be compromised. The matter is complicated and continued litigation would be both prolonged and burdensome. In the opinion of the Department, it appearing that a settlement can be effected without the payment of any damages because of the cancellation complained of, a termination of the litigation would be to the interest of the Government. We advise, therefore, that the offer should be accepted."

General Cummings holds that *there can be no reasonable doubt* the arrangements, understandings and agreements out of which the contracts grew were so highly irregular that there was not the freedom of competition in the bidding for the contracts *contemplated by the statutes*. The Supreme Court of the United States often has held, as the Attorney General surely must know, that arrangements, understandings and agreements so collusive, or "highly irregular," to quote the gentle terms used by the Attorney General,

which prevent the freedom of competition contemplated by the statutes, amount to fraud and invalidate the contract from the beginning. Therefore, the main consideration advanced by the Attorney General that "the settlement can be effected without payment of any damages" is of no consequence whatever, because the contractors could not recover damages on void contracts.

As for the other reasons assigned for the settlements that "the continued litigation would be prolonged and burdensome," they suggest two queries:

First, what is time to Uncle Sam? He will be here quite a while and certainly can take the time to investigate charges of fraud and collusion made by the President of the United States and other high officials of the Government against former high officials of the Government and numerous citizens.

Second, what additional burden will the Government sustain in the prosecution of these cases? The Special Senate Committee has expended more than \$30,000 in making exceedingly plain the evidence which is printed in five volumes. In addition, Col. Carl L. Ristine, of Missouri, was employed as an Assistant to the Attorney General a few days before the cancellations for the particular purpose of preparing these cases for trial. The expenses of his office now amount to \$30,000.

The evidence in one of these cases is practically the same as in all of them, except in the case of Transcontinental and Western Air, where there is the additional defense that the contract is void because Postmaster General Brown at the time of its execution was a stockholder in the Pennsylvania Railroad, which holds

a large interest in Transcontinental and Western Air.

The Criminal Code of the United States, Section 93, specifically provides that it is a criminal offense for any public official to award any contract to any corporation, association, or firm, in which such public official is directly or indirectly interested in the pecuniary profits of the contracts of such corporation, association, or firm. Such section makes that offense punishable by a fine of \$2,000 and imprisonment for not more than two years, and the courts have uniformly held that this is sufficient to invalidate such contracts.

General Cummings owes it to the public to explain just what he means when he says: "The arrangements, understandings and agreements out of which the route certificates (contracts) subsequently grew, were *highly irregular*." Many lawyers, and laymen as well, would like to have him define the border-line between fraud and collusion and these "*highly irregular*" arrangements, understandings and agreements. He should point out in what way these irregularities in the making of contracts which "interfered with the freedom of competition contemplated by the statutes" fail to come under the criminal statute which prohibits conspiracies entered into with the design to defraud the Government. He would experience much difficulty in doing this if he felt the need of reconciling his views with those expressed by Senator Hugo L. Black in his speech in the Senate on this subject.

It was through the well directed efforts and the indefatigable industry of Senator Black, Chairman of the Senate Committee, who devoted months and months to the investigation of these cases, that the evidence was secured which disclosed the scandal involved in

awarding the contracts. The Senator knows more about these cases than any member of Attorney General Cummings' staff will ever learn. He is an able lawyer and had an enviable record as a public prosecutor before he entered the Senate.

In a two-day speech in the Senate—April 25-26, 1934—he exposed to view much of the evidence which the Committee had collected in the cases and called attention to the decisions of the Supreme Court of the United States which has long since settled the law in relation to them. His presentation of the law and the facts not only indicated the justice and necessity for numerous criminal prosecutions but also outlined a perfect case for the Government as well. During the whole of Senator Black's speech not a single exception was taken by any Senator to any statement he made regarding the facts or any conclusion he expressed regarding the law. For lack of space I quote Senator Black only briefly:

"So, Mr. President, insofar as the contract of the Transcontinental and Western Air is concerned, it is void because of the collusive arrangements made in the Post Office Department. It is void because of the stock owned by the Postmaster General in the Pennsylvania Railroad, which is associated as a part of the T.A.T. It is void and no court will sustain it.

"It is also void because, as stated by the Assistant Attorney General in the opinion which was rendered, the advertisement imposes restrictions that were not imposed by statute.

"It is void for another reason. It is void by reason of the fact that the Transcontinental and Western employed Mr. Ernest W. Smoot for the purpose, as they stated, of attempting to 'expedite' action on their contract. The courts have uniformly held that any such employment absolutely invalidates a contract. Did they do that? Yes; they did it. The sworn evidence shows that they did it.

"Is there anyone who will have the effrontery to say that a contract obtained by a company whose officers admit under oath it was not obtained on account of merit but which the officers and directors felt they had gotten on the ground of political influence, should be sustained by a man with a decent mind and an honest heart? Perhaps so. If so, I repeat, America has steered far away from the old-fashioned principles of honesty and integrity upon which this country was founded.

"With reference to these particular contracts which I imagine many would like to forget—such as the Transcontinental and Western Air—they are polluted from the beginning; they are filled with corruption so that they ought to be a stench in the nostrils of any honest-thinking citizen.

"I am personally very much gratified that Postmaster General Farley saw fit to do that which any honest man ought to do. When he found there was fraud he took action which the honest people of this country, who know the facts, will approve.

"There is an old commandment upon which the sound fundamental morals of this people are based, that 'Thou shalt not steal.' I have no sympathy and no respect for the ideals of a man who is willing to try to send another man to jail for stealing \$25 or \$100 and at the same time is willing to gloss over or protect or defend those who, in high places, rob the taxpayers of the Nation of millions and millions of dollars.

"What difference is there between the man who breaks open a store and takes \$25 worth of goods and the man who, by chicanery and trickery, deprives the Government of the United States of the right to get its services at the lowest price by agreements with other men to prevent honest, open, and fair competitive bidding? There may be a distinction. There is some distinction in my mind, and it is this:

"I do not consider that any man is right who designates as 'Public Enemy No. 1,' whoever that man may be, the individual criminal who goes out and risks his life. I would rather class as 'Public Enemy No. 1' the man who sits in high places, *either in the seats of the Government or the councils of the great financial and industrial leaders of the Nation*, who is willing to deprive the people of the United States of millions of dollars

as he conceals himself behind the forms and shadows of legal protection."

Is it reasonable to assume the air companies would have accepted $6\frac{1}{2}$ per cent of the amounts sued for if they had not known positively they could not collect anything?

Col. Carl L. Ristine has made his reports to the Attorney General in these cases. When newspaper men requested to see them General Cummings refused with the statement the present intention is to regard them as confidential and not subject to public inspection.

What possible *legitimate* excuse is there for suppressing these reports in the five cases which have been disposed of?

Colonel Ristine for more than two and one-half years has received \$8,000 per annum for his services. His secretary and other office expenses will run over \$4,000 per annum. Thus, the cost involved in these reports is \$30,000 paid by the taxpayers, yet the public is not permitted to learn their contents.

Undoubtedly the reports will remain confidential as long as the New Deal is in power because no matter on which side the reports fall they are bound to be a reflection on the New Deal. If they find that criminal prosecutions and actions for civil recoveries should be instituted they reflect upon the settlement which has just been made; if they hold that there was no criminality, fraud or collusion involved and no excess profits to recapture, then they show the Administration acted hastily and without due consideration in the cancellation of the contracts which resulted in the loss of the lives of 12 Army pilots.

Governor Landon has promised if he is elected that he will follow the course of giving to the people all matters of information to which they are clearly entitled. If he is elected and pursues that course many a skeleton will be dragged from New Deal closets.

If Colonel Ristine has not changed his mind since he wrote K. P. Aldrich, Chief Post Office Inspector, Washington, June 29th, 1934, his reports on the cases which have been compromised very likely recommended criminal prosecutions. In that letter he said:

"At the very outset we are confronted with the fact that former Postmaster General Walter F. Brown intrusted to Glover, Gove and Wadsworth the duties of making recommendations to him respecting new air mail operations by appointing these three on the Interdepartmental Committee to serve with three appointed from the Commerce Department, the first of which were William P. MacCracken, Jr., F. C. Hingsburg and Harry H. Blee.

"The personnel of this Interdepartmental board can be fully appreciated and understood when we know the details pertaining to the part which MacCracken and the other members played thereafter. In my opinion MacCracken is one of the arch conspirators of the whole group in the general conspiracy to defraud the Government and circumvent and nullify all of the laws passed by Congress pertaining to air mail matters. MacCracken was very ably and substantially aided and assisted by Glover, Gove, and Wadsworth and particularly Gove, because Gove was the acting Second Assistant Postmaster General whenever Glover was out of the city.

"As far back as October of 1928, while Henderson was vice president of Transcontinental Air Transport, he wrote to one of his associates and extolled the broad-minded virtuous characteristics of Gove and assured his superiors that he was sure and certain that nothing detrimental to them would ever take place as long as Gove held an official position in the Second Assistant Postmaster General's office and thereafter, this same

man Henderson signed a series of notes on two different occasions aggregating \$5,000 and after he had been obliged to take up these notes with his own private funds or funds furnished him by some aviation company, he follows it up by loaning Gove an additional \$5,000, making a total of \$10,000 that we know of which went from lobbyist of this aviation company to this trusted Post Office employee who was supposed to look after the interest of the Government with respect to aviation matters.

"The explanations of Henderson and Gove as to the circumstances attending these money transactions and the destruction of a note which they allege was ultimately given by Gove to Henderson do not agree and are wholly inconsistent and at variance with ordinary business transactions between individuals who bear the most intimate relations to each other and the only conclusion which a reasonably prudent person can come to with respect thereto is that Henderson was paying Gove for past or future favors, or both.

"Except for the fact that the statute of limitations had run against the money transactions between Henderson and Gove before I had any knowledge thereof, a criminal prosecution would have been instituted thereon. I do not think it would be possible for the Government to ever disclose more convincing evidence of the giving and taking of a bribe or payment for services and favors to be rendered or already rendered than the evidence disclosed in the relations between Henderson and Gove."

Mr. Harllee Branch, Second Assistant Postmaster General, as late as March 13, last, in a radio address vigorously defended the cancellation of the contracts. Mr. Branch was one of the officials who sat in the conference which recommended cancellation to the President.

In his address he stated that notwithstanding the air route mileage in the domestic air mail system had increased since cancellation of the contracts by 3,856 miles and that both route and flown miles have in-

creased 15 per cent, the cost for 1935 was \$8,800,000, while in 1933, the year just prior to cancellation, it was \$19,400,000.

Surely this is most convincing proof that the air line operators were paid far more under the canceled contracts than they were entitled to receive.

Attorney General Cummings, instead of paying \$600,000 additional under the settlements, should take action to recapture several million dollars in excess profits paid these operators.

Under the slogan "Lest We Forget" Mr. Branch expresses an opinion on the cancellation of the contracts which is far at variance with the opinions *now* held by his superior, Postmaster General Farley, and Attorney General Cummings. Just listen to this:

"'Lest We Forget' it is well that we remember that the old air mail contracts were annulled by the Postmaster General *after it had been clearly established that these contracts were entered into by fraud and collusion and in violation of the law which specifically required that such contracts must be let by competitive bidding.*"

POLITICAL EFFECT OF CANCELLATION OF CONTRACTS AND SETTLEMENT OF CASES

What is the net political effect of the cancellation of these contracts and settlement of these cases? It is fair to assume that among the millions of newspaper readers throughout the country who followed the investigation of the Senate Committee, a large majority undoubtedly approved the cancellations on account of the scandalous conditions unearthed. The President, on the day of the cancellations, at a press conference, usually attended by about 200 newspaper

men, charged fraud and collusion in the execution of the contracts and said he was "acting on what was believed to be sufficient evidence of fraud and collusion in awarding the contracts by Postmaster General Brown." Mr. Farley's news release shows seven responsible heads of the Post Office Department and Department of Justice first conferred and agreed on the cancellations, then, following a Cabinet meeting, the President, Attorney General and Farley held a conference at which the final decision was reached. This announcement undoubtedly was intended to assure the public that every possible safeguard had been taken in arriving at a decision.

Of the millions who applauded the act of the President ordering the cancellations very few will ever hear of the settlement of the cases. So, the net result is that a large majority of those who approved the cancellations no doubt are still applauding the act. Among the small number who will hear of the settlements there will be considerable resentment but their votes are few in comparison with the political strength wielded by those whose interests are favorably affected by the settlements.

The settlements remove the possibility of criminal prosecutions, also the possibility of collecting large sums of money from the air line operators. Those affected will conclude that the New Deal is not so bad after all and will feel that it will be far better for them to continue it in power than to have a new Administration which might reopen all these cases.

This is simply a typical case of the course constantly followed by the New Deal of playing both ends against the middle. With a great show of courage these con-

tracts were canceled. The impression given was they just must not be permitted to continue because they had been executed as the result of collusion and fraud. Now the air mail contractors are given a great break. All efforts to secure convictions for violations of the criminal law are abandoned; all intention to collect vast sums wrongfully paid to the air line companies (unless perchance some other Administration comes into power after the next election) is abandoned; and the four air line companies are paid \$600,000 in cash.

But in the midst of these efforts at conciliation, we should not forget those 12 brave, stalwart, young Americans who, responding to the command of their Commander-in-chief, went forth in the bleak storms of snow and ice and the blackness of the night and sacrificed their lives in a vain effort to carry the mail!

Would not relatives and friends of those 12 boys, and thoughtful citizens everywhere, more fully appreciate "*the exercise of a sound discretion*," which Attorney General Cummings says he employed in the settlement of these cases, if a similar exercise and the resulting conclusion had occurred in the first instance instead of now, thus preventing the useless loss of the lives of those 12 gallant pilots?

CHAPTER XIX

HUEY LONG, MARVIN MCINTYRE AND THE SACRED GEESE OF ROME

Who was Huey Long? The late Senator Huey P. Long of Louisiana started life in very humble surroundings and achieved a position of distinction seldom equalled in this country. At one and the same time he was Governor of a sovereign State, United States Senator-elect from that State, and a member of the Democratic National Committee. He served as railroad commissioner, public service commissioner, Governor of Louisiana, and four years in the United States Senate.

During his two terms as Governor he revolutionized and vastly improved the school and highway systems of Louisiana which were in a most backward condition. He built a magnificent State Capitol. For several years he was more nearly a dictator of one of the sovereign States of America than any other man in the country's history. He possessed unusual ability and courage. He was known as the "Kingfish." He warmly supported the nomination of President Roosevelt in 1932 but parted company with his Administration soon after its inauguration, claiming the President had failed to keep the promises made in his campaign for election. He became the most bitter and daring opponent of the New Deal. He described it as a "St. Vitus dance government," and never lost an opportunity to denounce its activities. He organized a movement throughout the country known as "Share

Our Wealth" with the slogan, "Every Man a King," which had obtained a large following at the time of his death. He was shot by an assassin in the Louisiana State Capitol building early in September, 1935, and died a few days later. He was only 42 years of age at the time of his death. His widow, Mrs. Rose McConnell Long, was appointed by the Governor of Louisiana to succeed him in the Senate.

The New Deal has had many fortunate "breaks," but few were of as much consequence as the death of Senator Long. If he had lived until the election of 1936 there is no doubt that hundreds of thousands of voters would have followed him in opposition to President Roosevelt's reelection.

During the height of Senator Long's opposition to the New Deal about a dozen of his most prominent followers in Louisiana were indicted by Federal authorities on charges of having evaded income tax laws. Soon after his death there was a noticeable weakening of the opposition to the New Deal among his followers. The Louisiana delegation voted for President Roosevelt's renomination in the Philadelphia Convention and shortly thereafter the cases in the Federal court against Senator Long's friends were dismissed. Members of the grand jury who caused the indictments to be returned telegraphed a very emphatic protest to Attorney General Cummings against the dismissal of the cases. It was alleged that the cases had been dismissed because the Long machine had ceased its opposition to the New Deal. When newspaper men asked Attorney General Cummings whether, as a result of the protest of the members of the grand jury, the

cases would be revived, he stated: "Those cases are as dead as Julius Caesar."

Who is Marvin H. McIntyre? Mr. McIntyre has been one of President Roosevelt's secretaries since his inauguration. He is the President's doorkeeper and passes upon the question of who shall see the President and who shall not. When the President had been in office two and one-half years a statement came from the White House that it was estimated 28,000 persons had called on him. Few of that vast number gained admission without Mr. McIntyre's approval.

Mr. McIntyre also is one of those who decides what communications shall reach the President. One may write him every day in the year but unless Mr. McIntyre or some other of the President's secretaries passes the letter to the President the latter will never hear of the correspondence. A Senator, who had written an important letter to the President and received an answer from one of his secretaries, told me he was satisfied the President had never seen his letter.

After office hours Mr. McIntyre is given much to social activities and is hail-fellow-well-met among Washington society and high-powered lobbyists. I had been Assistant Secretary of Commerce only a few days when an air line lobbyist invited me to a dinner at the Wardman Park Hotel. Of course the only reason for my invitation was because the Air Commerce Bureau was under my charge. When I declined the invitation he urged as a special inducement that Mr. McIntyre would be present at the dinner.

Many of the New Deal measures which were submitted by the President to Congress aroused considerable opposition from the interests affected. The

outstanding contest between the New Deal and its opponents occurred over the passage of the utilities holding company bill, the object of which was to restrict, to a large extent, the activities of holding companies. Some holding corporations control more than 100 other corporations.

Mr. McIntyre is on very friendly terms with all "Four Horsemen" of the New Deal lobby. While the New Deal apparently was exerting every effort to pass the bill, three of the "Four Horsemen" who represented utilities companies, were actively lobbying against it. Mr. J. Bruce Kremer represented Mr. Hopson's company, the Associated Gas and Electric Company, and also the Public Service Corporation of New Jersey; Mr. Arthur Mullen represented Cities Service of the Henry L. Doherty interests; Mr. Robert Jackson represented the Niagara-Hudson Power Company, United Corporation, and other Carlisle interests. During the midst of the fight the newspapers stated that through Mr. Mullen's influence with Mr. McIntyre, Mr. Henry L. Doherty visited the White House and had tea with the President.

The public utilities objected to the holding company bill and indulged in lobby methods of an unusual and startling character. Thousands of telegrams, sent to Senators and Congressmen protesting its passage, were paid for by utility companies. It was discovered that many of the names signed to the telegrams were of people long since dead; other names were fictitious, others were taken at random from telephone directories, and others were signed by employees of the interested companies. Tremendous amounts of money



The Jackson Day, 1936, banquet in Washington. From left to right: President Roosevelt, Mrs. Roosevelt, the President's aide, Mr. J. Bruce Kremer and Vice President Garner.

were spent by the utilities to defeat the bill. In the height of the excitement, the Senate appointed a special lobby investigating committee and the House of Representatives authorized its Rules Committee to investigate the activities of the lobby. Intense rivalry developed between the two committees, their special activity being directed to securing the attendance as a witness of Mr. H. C. Hopson, head of the Associated Gas and Electric Company.

For a long time Mr. Hopson could not be found but he finally was served with a subpoena from the Senate Committee which he ignored. The Senate then issued a citation for contempt and the Sergeant-at-Arms and his deputies were searching for him in Washington, New York and other cities, and at the same time the House Rules Committee was making a similar search. It would be reported from time to time that he had been seen in one place or another, and the headlines of the newspapers were full of the efforts of the two committees to locate him. It afterward was ascertained that his company spent nearly a million dollars in its efforts to defeat the holding company bill.

In the midst of this search for Mr. Hopson, the Sergeant-at-Arms of the Senate, seeking to serve the citation upon him, in company with numerous newspaper reporters and photographers, visited the apartment of Mr. B. B. Robinson, the head of Mr. Hopson's Washington lobby, at the Shoreham Hotel. What then occurred is well described by the following article, written by Mr. Robert S. Allen, a staff correspondent, which appeared in *The New York Post*:

"F. D. R.'S AIDS AT LOBBY PARTY"

"McIntyre Found in Hotel Room of Utility Agent"

*"White House Secretary and Treasury Officer at Gay Affair
With Hopson Employee and 4 Women"*

"WASHINGTON, Aug. 15 (1935).—Two high Administration officials became involved today in the sensational utility lobby investigations.

"Marvin McIntyre, White House secretary, and L. W. (Chip) Robert, Assistant Secretary of the Treasury, were revealed as having spent some time last night in the room of B. B. Robinson, Chicago security salesman and Washington agent of H. C. Hopson, head of the Associated Gas and Electric Company.

"Robinson is the man with whom Hopson conferred secretly in Washington last week while Senate and House investigators were making a nationwide search for him.

"Also in Robinson's room at the time that McIntyre and Robert were present there last night were Amon Carter, Fort Worth, Tex., publisher, and four women.

"The presence of the two high Administration officials in the room of the utility lobbyist was inadvertently revealed by Sergeant-at-Arms Chesley Journey. Seeking to serve the Senate's citation on Hopson, Journey called on Robinson to inquire if he knew of the magnate's whereabouts.

"Noise of much gayety was emanating from Robinson's room when Journey knocked on the door. Robinson responded to the call, and when he saw Journey hastily stepped outside closing the door behind him. He said he did not know where Hopson was and returned to his room.

"Reporters accompanying Journey remained listening through the door after Robinson had returned to the room. After a

little while the door opened and McIntyre, Robert and Carter stepped out into the corridor.

"When McIntyre saw the reporters and photographers he immediately demanded that nothing be written about him and Robert, and no pictures be taken.

" 'I forbid any pictures being taken,' he insisted. The photographers bowed to his demand, but the reporters refused to agree to 'shush' the matter.

"McIntyre thereupon called up the bureau managers of the Associated Press, United Press and International News Service and demanded they kill the story.

"The Associated Press did not send out the story, but the United Press and International News Service after two hours of heated debate, put the story on their wires.

"McIntyre has long been under fire from liberals within the Administration on the ground that he was unduly friendly with lobbyists. Last summer at the very time that the Administration was trying to force Pacific Coast ship owners to come to terms with the striking longshoremen, the White House secretary was seen daily in night clubs and dining places with Jim Barnes, one of the biggest shipping lobbyists in the country."

Mr. Robinson testified before the Senate Lobby Committee that at various times Mr. McIntyre and Mr. Robert were his guests at gala parties at hotels and night clubs.

Just after adjournment of the Democratic National Convention held in Philadelphia in June, 1936, which renominated President Roosevelt, a vacancy occurred in the position of secretary of the Democratic National Committee. Mr. Farley, Chairman of the Democratic National Committee, after inquiring into the background, affiliations and friendships of the many men and women throughout the country capable of filling the place, undoubtedly with the President's consent, selected this same Mr. L. W. Robert, Jr. Mr.

Robert has been serving in that capacity throughout the campaign.

What were the sacred geese of Rome? The tradition concerning the sacred geese of Rome is aptly described in the following quotation:

"Geese Save the Capitol"

"The tradition is that when the Gauls invaded Rome a detachment in single file clambered up the hill of the capitol so silently that the foremost man reached the top without being challenged; but while he was striding over the rampart, some sacred geese, disturbed by the noise began to cackle and awoke the garrison. Marcus Manlius rushed to the wall and hurled the fellow over the precipice. To commemorate this event, the Romans carried a golden goose in procession to the capitol every year (B. C. 390).

Those consecrated geese in orders,
That to the capitol were warders,
And being then upon patrol,
With noise alone beat off the Gaul.

—Butler: *Hudibras*, ii, 3."

(Brewer, E. C.—A dictionary of phrase and fable. Phila. 1923).

Senator Long compared Mr. McIntyre and his association with the lobby representative of the Associated Gas and Electric Company with the sacred geese of Rome in a speech in the Senate on August 20, 1935. Following is an extract from the speech:

"Mr. President, I believe I read in history that there was once what were known as the 'sacred geese' who gave the alarm when the Capitoline Hill was in danger of attack. It seems from what I read or what was read to me that while all Rome was asleep, suddenly an attack was in process from the heathens on the outside. The geese began to cackle and quack and gave

the alarm, so that Rome was awakened, brought to arms, and thereby saved from slaughter. So it was that these geese became known as the sacred geese. They were sacred to the Republic of Rome, the sacred geese which guarded the Capitoline Hill.

"If I may undertake to make a comparison, though I may lack a knowledge of history and letters, there was a Capitoline Hill, it seems, rocking with the breezes of corruption and gigantic monopolistic influence which was being exerted on the Congress of the United States. There was a hell hole here from which were being emitted the sluices of gold, the ferocious powers, the ferocious dominant control and influence, wherein, whereat, whereon, and whereabout it was alleged that at the final moment the goat would be flushed and they would bring out the great culprit Hopson.

"There is one lobby committee investigating in one quarter, summoning the witness and threatening him with everything from murder on down, and there is another investigating committee in another quarter which is calling upon and demanding the witness to come there and submit himself to inquisitorial processes. There is a conference being held on the one side and a conference being held on another side. The conferees are meeting, and fire and brimstone are being hurled in every quarter, criminations and recriminations, fire, blood, and murder liable to strike anywhere and strike anybody.

"With all these great threatening disasters, when the representatives of the committees come to the lobbying headquarters of the utilities to find the culprit, when they go to search the devil's den, they find the Capitoline Hill of the lobbying headquarters being guarded by a representative of the White House.

"I am informed by the public press, and I now make note that when this Capitoline Hill was about to be flushed some 2,000 years ago, it was saved by the sacred geese. Some 2,000 years later, when the modern Capitoline Hill was about to be flushed, what should be done? The sacred geese were dead. They are no longer here to give the alarm. Their bones have rusted for 2,000 years or more. But someone must be sent, someone must be at the most important places.

"Criticism comes from the other side of the Chamber, and

even from this side of the Chamber, because of what? Because of the most important man to the White House, and one of the most important men to the Treasury Department, and one of the most important men to the welfare of the Democratic Party, a prominent Democrat representing the State of Texas—so at the crucial, pivotal moment we find the great national leader of the party from that State, a great important representative of the Treasury Department, a great official and high muck-a-muck in the person of the man who guards the portals of entry to the President of the United States, the man who says who can see the President, who can hear the President, who can know the President, all men who likewise become the guardians of the recesses and headquarters of the lobbying activities we are supposed to be investigating on behalf of the National Administration.

"What about this report the newspapers have published that this White House leader is involved? Mind you, Mr. President, since what I am saying might some day be read by some one else, let me get this in the Record. It is not everybody who can see the President of the United States. He has a man who says who can see the President and who cannot.

"A Member of the United States Senate can go and see Mr. Roosevelt provided Mr. McIntyre wishes him to see Mr. Roosevelt. If you ring the telephone and say, 'Hello! Is this the White House? I should like to make an appointment to see the President of the United States,' Mr. McIntyre will say whether you may or may not see the President. If you go and knock on the door of the White House and say, 'I wish to talk to the President of the United States,' Mr. McIntyre will say whether or not you have enough business to entitle you to talk to the President of the United States.

"Mr. McIntyre, who guards the White House and the door that leads to the President so long as the President is awake, when the time comes for the President to go to sleep, guards the quarters wherein are housed the lobbyists and muck-rakers for the public utility interests, the particular headquarters in charge of the particular activities supposed to kill a bill which

has the apparent stamp of approval of the National Administration.

"Here is Mr. McIntyre; here is an Assistant Secretary of the Treasury; here is a Democratic master from the State of Texas; and, if the newspapers are to be believed, when they flush this nest in search of the particular group that is carrying on the scuttling game alleged to be going on around the Capitol, they find there these three men, and one of them says, 'If you newspapermen say a word about who is here, we will see that every one of you loses his job.'

"Now, understand that. According to what the public press tells us, when they invade the Hopson headquarters, or the headquarters of Hopson's lieutenants, where Hopson is supposed to be, they find these three great men, who probably have more influence with what is carried on in this Administration than any three men sitting in this body; and they say to the newspapermen, 'If you tell anybody about it we will see that you lose your jobs.' And there was my ponderous and well-beloved friend, the Sergeant-at-Arms of this body, pounding on a door in search of the culprit, hammering on a door, and hearing others told that they were liable to lose their jobs in case they reported whom they found there.

"Imagine the qualms. Imagine the fright. For a day or two some of the newspapers did not publish the story. For a whole day two-thirds of the newspapers of the United States did not have a word in them to the effect that McIntyre and the Treasury Department and the Democratic Party were officially represented in the headquarters of the utility enterprises undertaking at this very time to control legislation in Washington.

"Let us stop being made playthings. It is time for Congress to be serious. We found out something that perhaps we did not know. We found out how things are done in Washington, D. C. We found out that while we are taking orders from the White House, at nighttime a representative of the White House betakes himself over to the lobbying headquarters of the very interests we are supposed to be fighting.

"The fact is that these men are out before the American

people parading themselves as having guarded, as having protected, the very headquarters of corruption and fraud which the Congress is supposed to be ferreting. It is time that Congress realized that the people have already seen that this is a mere matter of tweedledee and tweedledum, that there is nothing to be done of substantial service, that the whole matter has involved itself into one in which the White House has on its hands the task of explaining why the Capitoline Hill, night headquarters of the public utility lobby, is guarded in the nighttime by the same men who guard the portals of the White House in the daytime."

CHAPTER XX

TWO RACKETS THAT SHOULD BE ABATED

RACKET NO. 1

For long years the Government has suffered heavy losses on account of the practice which has prevailed of Cabinet officers, members of the Little Cabinet, bureau chiefs and other Government officials and employees relinquishing their positions to enter the lobby in Washington. Officials and employees of the Government, after serving in certain positions long enough to become familiar with all the details of the Government's side of public business, quit the public service and immediately accept employment from those with whom the Government is dealing. This puts the Government to a great disadvantage.

Let me explain by means of a hypothetical case just how this result may be obtained:

The Attorney General of the United States has numerous assistants, known as Assistant Attorneys General and Special Assistants to the Attorney General. One who outranks all others is known as *The* Assistant to the Attorney General. He is the Attorney General's right-hand man and has supervision of the whole Department of Justice. In the course of two or three years' service it is possible for this official to become informed concerning claims pending in the Department against the Government and claims which the Government has against citizens, firms and corporations. He can ascertain upon exactly what evidence the Government is depending in various cases and the estimate the officials in charge of the cases put upon the claims. Moreover, and just as important, he establishes inti-

mate personal relations with the officials who have the claims in charge.

After two or three years *The Assistant* to the Attorney General can resign and open a "service station," otherwise known as a law office, in Washington and in a short time be representing the persons, firms or corporations from whom the Government is seeking to make collections, or those who have claims against the Government or desire to secure contracts with it. The total amount of claims for and against the Government runs into millions of dollars.

One type of claim the Government is now attempting to collect, amounting to several million dollars, is against distillers for failure to pay internal revenue taxes on alcohol redistilled during the prohibition era. After the poison was extracted from the alcohol it was sold in the bootleg trade. The former *The Assistant* to the Attorney General could represent the distillers much more effectively than any other lobbyist or lawyer because he knows all the details of the Government's case and has many friends in the Department who could make it easy for him to secure compromises of the claims.

More than 60 years ago Congress passed an act prohibiting any person who had been employed in any Department of the Government from acting as counsel, attorney or agent in the prosecution of any claim against the United States within two years after his term of office ceased. Following is the statute in question:

"Sec. 99. *EX-OFFICERS OR EMPLOYEES NOT TO PROSECUTE CLAIMS IN DEPARTMENTS.*

"It shall not be lawful for any person appointed as an offi-

cer, clerk, or employee in any of the Departments, to act as counsel, attorney, or agent for prosecuting any claim against the United States which was pending in either of said Departments while he was such officer, clerk, or employee, nor in any manner, nor by any means, to aid in the prosecution of any such claim, within two years next after he shall have ceased to be such officer, clerk, or employee." (R. S. Sec. 190.)

(From Act June 1, 1872, c. 256, Sec. 5, 17 Stat. 202.)

The statute does not provide a penalty but the law may be enforced by means of a court injunction directed to the person who seeks to violate it. Departments of the Government also can refuse to deal with such person. Any contract for employment of a former official or employee of the Government made in violation of the statute is void.

The Department of Justice, by a recommendation to Congress, probably could have this act amended by the addition of a criminal clause, or Congress could do that of its own motion. The extent of the advantage to a former official or employee of having knowledge of all the facts in the hands of the Government can be appreciated when it is understood that in a great many instances the Departments will not permit outsiders, or even newspaper men, to examine official files. There is no doubt that the violation of this statute in the run of years has cost the Government many millions of dollars.

Aside from this, it really is a scandalous procedure for one to represent the Government for two or three years in matters of great importance and involving large amounts and then immediately take employment against the Government on the other side of the cases.

RACKET NO. 2

Senators and Congressmen, particularly those who are lawyers, frequently have partners who represent

those against whom the Government has claims and those who have claims against the Government and/or desire to secure contracts with the Government. In such cases the partner is aided by the prestige and influence of his partner, the Senator or Congressman. It would be a violation of the criminal law for the Senator or Congressman to accept fees in cases of this kind, but there is no statute prohibiting his partner from accepting them. The difficulty in establishing whether the Senator or Congressman has participated in such fees is apparent.

Congress prohibited Senators and Congressmen from accepting fees for appearing before Government Departments and in the courts because their official positions give them undue influence. The participation of their partners in such cases, particularly with their active assistance, nullifies to a large extent this inhibiting statute.

A case in point was brought to my attention not very long ago. A Senator had been very persistent in his efforts to have one of the Departments execute a contract, detrimental to the Government's interest, with a corporation in his State. After the contract had been signed, a friend, in whom I have confidence, stated to me that the Senator had said to him: "All I got out of the execution of that contract was \$100 expense money, but my law partner received \$18,000."

The Constitution of the United States gives the Senate and House of Representatives, respectively, the right to fix the qualifications of the members of those bodies. Either body can refuse a seat to a member-elect, or can oust a sitting member for any reason favored by a majority. An example of the exercise of this pre-

rogative occurred several years ago when a Congressman-elect from Utah, a member of the Mormon Church, was refused a seat in the House of Representatives because it was alleged he practiced polygamy. There was no question about his election and no question about his credentials. His right to a seat in the House turned entirely upon the allegation that he was a polygamist. The Senate and/or House could adopt a rule which would end the term of a member whenever it is shown that his partner for a monetary consideration had acted as counsel, attorney, or agent in connection with any claim or transaction in which the United States is interested.

An examination of the income tax returns of the law partners and other partners of Senators and Congressmen no doubt would throw much light on the extent of this racket. There is no necessity for Senators and Congressmen to have partners.

CHAPTER XXI

AN AMENDMENT TO THE CONSTITUTION NEEDED

One of the greatest opportunities for waste, extravagance and graft in public affairs is afforded by the provision of the Constitution which directs that the President must accept in whole or reject in whole all Acts of Congress presented for his approval. In a large majority of the States, Governors have authority to accept in part or reject in part items in appropriation bills which are presented to them. Efforts extending over a long period to secure an amendment to the Constitution of the United States granting this power to the President have been unsuccessful.

Senator A. H. Vandenberg of Michigan is the latest to introduce a bill providing the necessary amendment to the Constitution to remedy this condition. His recent article in the Saturday Evening Post, entitled "Hash by the Billion," furnishes a very interesting and comprehensive exposition of the great necessity for the amendment's adoption.

During the recent session of Congress the need for this change was forcibly brought to view by the discovery of Congressman John J. Cochran of Missouri, Chairman of the House Committee on Expenditures in the Executive Departments, of an item in an omnibus claims appropriation bill providing for the payment of more than \$60,000 to the Standard Oil Company of New Jersey *which had been passed upon and rejected* more than two years before by the United States Court of Claims. The item was based upon taxes paid on oil

in tank ships entering American ports which the company contended should not have been collected.

Secretary Roper recommended the claim be paid stating in a letter that the Court of Claims had ruled *against* the Government and added: "Inasmuch as under the decision of the court the above collection was erroneous it appears to the Bureau of Navigation and Steamboat Inspection that the Department should not object to the payment of the sum found due the Standard Oil Company." Congressman Cochran stated: "There can be no doubt but that the favorable letter from the Secretary of Commerce resulted in the favorable report on the bill."

The bill had passed the Senate and was pending in the House. Congressman Cochran communicated with Mr. Trimble, Solicitor for the Department of Commerce, who replied that he had never heard of the matter. The Congressman expressed surprise that a purely legal matter had not gone through the Department's legal division. He called Secretary Roper's attention to the decision of the Court of Claims and the Secretary wrote: "I regret the error and the resultant confusion arising in this matter."

It must not be assumed that I am intimating in the least that Secretary Roper is guilty of moral turpitude in relation to this transaction. The person who prepared the letter recommending payment of the claim may have been a minor official and the letter signed as a matter of routine.

The omnibus bill in which the item was included provided appropriations amounting to more than \$270,000,000. It was made up of hundreds of items based on claims against the Government. Even if the President

had discovered the presence of the Standard Oil Company's item he might very properly have signed the bill notwithstanding on the ground that to veto it would have cost the Government much more than the \$60,000 involved in the item.

As Senator Vandenberg explained in his article, Congress at the last session passed 12 major appropriation bills carrying the total amount of \$8,469,120,249. These bills contained thousands of items. The largest amount carried by any of the bills was approximately \$2,890,000,000. Under the limited authority granted him by the Constitution, the President was compelled to accept in whole or reject in whole each of them.

This situation has made possible the collection of enormous amounts in the way of claims, and in other appropriations, which have been added to various appropriation bills as a result of log-rolling or in moments of abstraction when appropriation bills were pending in the Senate or the House.

It may be thought that even though the bill carrying this item had become a law, since the Court of Claims had decided against its payment the Standard Oil Company would have been unable to collect it. But it seems the courts have decided the action of Congress in such cases is final. In this connection I call attention to the decision of the United States Circuit Court of Appeals in the case of *Baker vs. United States* (27 Fed. (2) 863). In that case the Navy Department charged that Baker had defrauded the United States. The decision contains the findings of fact made by the District Court as follows:

Baker was an officer in active service in charge of the Naval Radio Station at San Juan; that the United States owned a

tract of land there now known as San Geronimo Naval Reservation, but then controlled by the War Department; that Baker represented that the land was needed for a permanent Naval reservation and thereupon the War Department transferred the land to the Navy; that no use was made of the land except as a place of residence for Baker; Baker applied for and obtained a 5-year lease of a portion of the land for himself upon consideration of \$1.00 and that he would erect a concrete residence to be used as officers' quarters at his own expense costing \$12,000; then he persuaded the Navy Department to authorize purchase of some 9 acres of additional land to be used as a radio station; Baker then acquired an option on the 9 acres for himself at a cost of \$200; then he traded the 9 acres to the United States for the Geronimo tract upon false representations that the latter was marshy ground and of little value; that by such means Baker obtained a 999-year lease on land worth \$500,000 and the Government received a worthless tract. Congress was persuaded to authorize the transaction by a Special Act.

The United States District Court in Puerto Rico sustained the charge but the United States Circuit Court of Appeals held that since the land Baker acquired in the transaction had been leased under a Special Act of Congress, the Courts could not undo the fraud.

CHAPTER XXII

THE KISS OF DEATH

The Reconstruction Finance Corporation, presided over by Jesse H. Jones, is the Administration's barnyard for crippled chickens. This organization has disbursed billions by way of loans to railroads, banks, and other big institutions throughout the country or by outright purchases of their stock. For instance, it has stock in 6,468 banks. Some of these railroads, banks and large corporations owing the banks, are in the hands of receivers. All of these tremendous transactions offer opportunity for many jobs none of which is hampered by civil service restrictions.

A number of instances of the "easing" out of officials or their transfers into new jobs have occurred since the incoming of the New Deal. Probably the most striking illustration of the procedure now prevailing in such matters is afforded in the case of Judge J. Crawford Biggs, who was Solicitor General of the United States. The Solicitor General is really the highest law official in the Government. While it is true that the Attorney General outranks the Solicitor General, the former is to a large extent an administrative officer for he has under his control all United States Attorneys, United States Marshals, Federal prisons, and other activities. The Solicitor General is mainly responsible for all cases reaching the Supreme Court of the United States in which the Government is interested.

When the Administration desires to transfer or drop an official from service, the first intimation of its plan

usually comes from a hint given to the newspapers by the White House that the official in question soon will be transferred or will resign. When the newspapers announced that Judge Biggs would resign, probably no one in the city was more surprised than he. There are few lawyers, indeed, who would give up voluntarily that exalted position, especially in these times when constitutional questions of the most far-reaching importance involving the New Deal are being brought before the Supreme Court of the United States, and everyone knew that the Judge would not do so.

During the interim of a few weeks from the first announcement in the press until the Judge resigned, Washington was agog with gossip as to why he was being relieved of his post. Many explanations were advanced, among them that another who desired the place had brought so much pressure to bear on the President that the latter could hold out no longer.

Mr. Stanley Reed of Kentucky, who was appointed to succeed Judge Biggs, was strongly endorsed by Senator Barkley of Kentucky, who was the "keynoter" of the Democratic National Conventions in 1932 and 1936.

When the President received Judge Biggs' resignation he sent him form letter A-I, known in Washington as the "kiss of death," reading as follows:

"My dear Crawford:

"I accept your resignation with real regret. For nearly two years you have discharged your important duties with distinction and success.

"A survey of your record and that of your office, taking into account the business transacted, the multiplicity of matters entrusted to your care, and the results achieved, will challenge comparison with any like period of time in the history of your department.

"That you feel constrained to return to private practice of your profession I can well understand. You carry with you my best wishes and my sincere thanks for the public service you have rendered."

The Judge comes from North Carolina where he took a prominent part in securing the State's delegation for Roosevelt "at Chicago." As a result of the Judge's resignation he was appointed by Mr. Jesse H. Jones to the position of voting trustee to vote the stock held by the Reconstruction Finance Corporation in the Wheeling and Lake Erie Railway. The place pays \$10,000 per annum, and the duties consist only of voting the stock from two to four times per year.

PART IV

KICKED OUT OF THE PRESIDENT'S
LITTLE CABINET

CHAPTER XXIII

THE TYPE OF MAN WANTED

"Why, you are just the type of man I want!" said Secretary Roper. This declaration was made after I had told him that I would accept the position of Assistant Secretary of Commerce only with the understanding that I would not countenance any favoritism in letting contracts or making appointments. I was induced to accept the place because Secretary Roper had stated that my services were being drafted and I would be a slacker if I refused.

I soon learned, however, that I was not the type of man he wanted, nor was I the type of man wanted by the hard-boiled bureau chiefs who for so long had been running the bureaus of the Department with unrestrained hand.

I had been in office only a few days when an important contract was presented to me for approval. Desiring to know all about it and especially to ascertain whether the specifications had restricted the bidding, I sent to the bureau for all the papers in the case. Immediately the bureau chief came bustling into my office and with an attitude of much aggressiveness said:

"I am surprised at your request for papers and should like to know how far you intend to pursue that course. This is a new procedure. Heretofore, the affairs of my bureau have been left to me by the Assistant Secretary."

I offered to return the papers to him, saying: "Well, I thought you wanted me to sign this contract."

He replied:

"Oh, I do, but our contracts and papers heretofore have been signed by the Assistant Secretary without question and I am interested in knowing how far your investigations are going in the future."

I replied:

"To the best of my ability I am going to know, or try to know, all about every contract I sign that provides for the expenditure of money or obligates the Government in any way, whether the amount involved be large or small."

It was very apparent the bureau chiefs resented any intrusion into the affairs of their bureaus. This attitude and the abundant evidence of waste, extravagance, and favoritism to private interests convinced me of the great importance of the appointment of new bureau chiefs fresh from the people, with new ideas and imbued with a desire to conduct a thorough housecleaning. Moreover, I considered the result of the election in 1932 in which the country voted by a plurality of six and one-half million for the election of President Roosevelt as a mandate to the incoming administration expressly requiring it to clean house. One of the main issues of the campaign upon which President Roosevelt put great emphasis was reduction in governmental expenditures and the curtailment of waste and extravagance in public affairs.

Despite the desire of a Little Cabinet member to investigate the official transactions upon which he must pass, and even though he devotes long hours to his duties, lack of time for such investigations requires him to act without information in many instances.

I repeatedly urged Secretary Roper to infuse some new blood into the bureaus by the appointment of at least a few officials who could ascertain what had been

and was transpiring in them. One of my memoranda to him urging this action contained the following:

"You and I know full well the tremendous influence on public affairs and national policies which is wielded by bureau chiefs and subchiefs of governmental departments and this is especially true concerning the financial affairs of the Government. It is impossible, as you and I know, for Cabinet Secretaries or their assistants to touch more than the high spots of the Government's administrative affairs because their duties are so overwhelming in number and importance they cannot penetrate very far beneath their surface. The result is that they are compelled to accept the judgment, good faith, and loyalty, or lack of these qualities, of bureau chiefs and subchiefs concerning a large part of the transactions coming before them. Therefore, it is most important, if the welfare of the Government is to be safeguarded properly, that bureau chiefs and subchiefs and others in high official positions be changed frequently."

The bureau chiefs knew I was urging these changes and feared I was putting their positions in jeopardy. The result was, with rare exceptions, I had the hearty opposition of bureau and division chiefs and their assistants.

My persistent efforts to clean up the bureaus soon convinced Secretary Roper that I was not the type of man he wanted and I became convinced of that fact also, but felt that I would be a slacker, indeed, if I voluntarily resigned my place in the face of the conditions I knew existed.

I first suspected that Secretary Roper was dissatisfied with my services when he apparently attempted to "ease" me out of the Little Cabinet by failing to have me reappointed and by delaying my confirmation.

The President appointed me in June, 1933, while Congress was in recess so, if I were to continue in office,

it was necessary for him to reappoint me at the opening of the following session in order that my nomination might be confirmed by the Senate.

There were several recess appointments in the Department and reappointments covering all of them with the exception of mine and that of Dr. Willard L. Thorp, Director of the Bureau of Foreign and Domestic Commerce, to whom there was much opposition, were delivered by Secretary Roper to the White House for the President's signature and promptly sent to the Senate. A member of the Senate Committee on Commerce, to which these nominations were referred, called to my attention the fact that my nomination was not included among them.

Mr. Kerlin and Secretary Roper assured me that the oversight was at the White House as my nomination had been delivered with the others. Missouri newspapers began speculating as to whether I would be reappointed and Mr. T. C. Alford, the Washington correspondent of the *Kansas City Star*, asked me what was causing the delay. I explained that my nomination had been misplaced at the White House but he discounted the truth of this because he had made a search there for it. I again mentioned the subject to Secretary Roper and he again assured me my nomination was at the White House and, no doubt, would be sent to the Senate soon. I reported this conversation to Mr. Alford who made another unsuccessful search at the White House. A short time later, as Secretary Roper emerged from a Cabinet meeting at the White House, Mr. Alford approached him and asked if it were his intention to have me renominated. The Secretary replied:

"I am very glad you called my attention to that matter. I have Mr. Mitchell's nomination here in my brief case and will deliver it at once to the appointment clerk."

Soon after my nomination reached the Senate Commerce Committee, a Senator telephoned me the shipping interests were opposing my confirmation. It is the rule of the Committee on Commerce not to recommend a nomination to the Senate unless the Cabinet officer under whom the nominee will serve approves it in writing. The clerk of the Committee reported to me that Secretary Roper had failed to send the usual recommendation and had been requested to supply it but had not done so. The Secretary explained to me that this was an oversight and he would attend to it immediately. The Committee clerk called the Secretary's office a second time asking that the recommendation be sent but it was not forthcoming. I again saw the Secretary and at his request I wrote a letter to the Committee approving my nomination which he signed.

I was inspired by the pledges of the Democratic national platform and those made by the President during the campaign of 1932 that the oppressive burdens of taxation then borne by the people would be materially lessened by reducing governmental expenses at least 25 per cent, and although from this time I realized Secretary Roper was not sympathetic with my efforts to aid in fulfilling these pledges I was determined to carry on anyway.

When in September, 1934, Secretary Roper discussed with the President, without my knowledge or consent, my appointment as Minister to Rumania I knew he wanted me to leave the Department. I told him I would not care to serve in that capacity. Later he pro-

posed that he create for me the position of "Special Assistant to the Secretary of Commerce," to pay \$8,000, and put me in charge of organizing the Free Trade Zones which had just been authorized by an Act of Congress. I declined and another person was appointed to the place at a salary of \$3,200 per year.

Mr. Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, urged me to accept a place in his organization which he said was quite important and remarked "the salary will be \$7,500 a year which I understand is the salary you are now receiving." When I told him my salary was \$8,500, with a wave of his hand he said, "Oh, well, make it \$8,500." He explained he was making the offer at the request of Secretary Roper and President Roosevelt.

Having declined Mr. Jones' offer he wrote me:

"With further reference to our conversation of some weeks ago, at which time I asked you to become associated with our RFC Mortgage Company, I am wondering if you would now reconsider your decision.

"We are endeavoring to complete this organization, and feel that your experience would be of value to us. We expect this to be a very helpful and useful activity in the recovery program."

(A facsimile of this letter appears on page 317)

RECONSTRUCTION FINANCE CORPORATION
WASHINGTON

JESSE H. JONES
CHAIRMAN OF THE BOARD

May 9, 1935

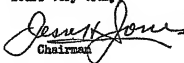
Dear Mr. Mitchell:

With further reference to our conversation of some weeks ago, at which time I asked you to become associated with our RFC Mortgage Company, I am wondering if you would now reconsider your decision.

We are endeavoring to complete this organization, and feel that your experience would be of value to us. We expect this to be a very helpful and useful activity in the recovery program.

With best wishes,

Yours very truly,


Chairman

Honorable Ewing Y. Mitchell
Assistant Secretary of Commerce
Washington, D. C.

The following is a copy of my reply:

"I acknowledge receipt of your letter of the 9th. It is very kind of you to again offer me a position in your RFC Mortgage Company but I cannot accept.

"I have not the remotest intention of voluntarily giving up my present position. I was drafted for the job and, from the standpoint of the Government's interest, would be a 100 per cent slacker if I quit now."

So that Mr. Jones might know something of the situation in the Department of Commerce I sent him copies of several memoranda which I had addressed to Secretary Roper.

Two months later he telephoned again urging me to reconsider and accept the place in his organization. I again declined and he said, "Well, I am just trying to be helpful." I suggested that if he wished to be helpful he should call the President's attention to the contents of the memoranda which I had sent him and which he said he had read.

The same afternoon the President sent me a request for my resignation.

CHAPTER XXIV

EVIDENCE "PREMATURE" AT THE DEPARTMENT OF JUSTICE

When I learned Secretary Roper wanted me to leave the Department I asked him to give me a written statement as to just how I had failed to satisfy him so that I might have an opportunity to respond to his criticisms. He said: "There is no necessity for a statement, the only thing lacking in you is that you are not a leader of men."

I replied:

"Of course I cannot lead the men you leave in charge of these bureaus who oppose my efforts at reduction of waste, extravagance and favoritism to outside interests and who, whenever I have a controversy with them, go around me and get a complete whitewash from you."

I spent one and one-half hours with him describing unsatisfactory conditions in the Department. He asked me to put my criticisms in writing.

As soon as I could find time from my pressing duties, I presented to him memoranda covering the Shipping Board Bureau, Bureau of Lighthouses, and Air Commerce Bureau, which he proposed be referred to a committee consisting of Mr. Thomas B. Love, lawyer, Dallas, Texas; Mr. William T. Kemper, banker, Kansas City, Missouri; and Mr. Harry W. Blair, an Assistant Attorney General, all mutual friends of ours.

I said:

"Mr. Secretary, you may have all the committees you desire but so far as I am concerned I do not need a committee—these

facts are from the records and something should be done about them; the criminal statute of limitations is rapidly running against these cases."

He then agreed that I should present the memoranda to the Attorney General for consideration and any action he deemed advisable.

The objects I had in view in preparing the memoranda for Secretary Roper were the correction of many administrative abuses in the various bureaus, the recapture for the Government of millions of dollars illegally paid by the Shipping Board to steamship contractors, and the possible prosecution on criminal charges of derelict Government officials and racketeers among the shipping fraternity.

I urged upon Secretary Roper in a memorandum that before presenting the memoranda to the Attorney General I be permitted to secure from the files of the Department of Commerce full evidence to substantiate the charges made in the memoranda so that the Attorney General would have before him *all the facts* in each case and thus be enabled to prove them satisfactorily in court.

Secretary Roper took the position that it would be "*premature*" to present all the facts to the Attorney General and in his memorandum stated:

"While this Department will be ready to place its entire facilities and files at the disposal of the Department of Justice, *it would be premature* for us to undertake to assemble evidence ourselves in advance of knowing what the Department of Justice may require."

In my reply memorandum I maintained the Attorney General could not pass intelligently on the questions involved without having all the facts before him, saying:

"It occurs to me that you may not have considered that the facts contained in my memorandum of March 30, 1935, were gleaned largely from the testimony produced before the Black Senate Committee and should be supplemented by the vital facts contained in the official records of this Department before these serious charges are presented to the Attorney General, *so that a half-way presentation of the facts may not mislead the Attorney General* to deem them to be inconclusive to establish that crimes have been committed or that public moneys have been illegally disbursed. * * *

"The Attorney General is the law officer of the Government. No civil or criminal action can be instituted by the Department of Commerce without his consent.

"From my experience as a member of the bar I am unable to agree that *it would be premature* for a client to present his lawyer with all the facts in his case when asking for an opinion as to whether the facts constitute a cause of action."

Secretary Roper then wrote the Attorney General, sending him a copy of his memorandum to me, asking the Attorney General's opinion of how my charges should be presented.

The Attorney General replied:

"* * * Assistant Secretary Mitchell can, therefore, send the material directly to me for consideration, along with the data already available.

"When the cases referred to this Department are before us for attention, *Mr. Mitchell will be called upon for any additional evidence or testimony he may care to submit.*"

The Attorney General probably knew at the time I was "on the way out" and the additional evidence I desired to submit would not then be available to me.

So, prevented by the action of Secretary Roper and Attorney General Cummings from presenting to the latter the full facts concerning my allegations, I delivered to him personally on May 13, 1935, the four

memoranda in question. When I had finished a discussion of the irregularities involved, Attorney General Cummings said:

"You are all 'het up' about these matters, aren't you?"

I replied:

"Yes, I am all 'het up' about them because the three-year criminal statute of limitations has been allowed to run for two years through the masterly inactivity of those whose duty it was to present these matters to the Attorney General, and because of the evident disinclination on the part of Secretary Roper to permit a clean-up of the many glaring abuses existing in the Department."

Attorney General Cummings assured me that he would read the memoranda himself and would see that the Department of Justice gave them prompt attention.

About two weeks later, on May 29, 1935, President Roosevelt requested my immediate resignation from the position of Assistant Secretary of Commerce.

I declined to resign and requested the President in two written communications to accord me an interview so that I might explain to him in detail the conditions in the Department of Commerce about which I complained. The President refused to grant me an interview.

On June 14, 1935, at 6:30 o'clock P. M., I received from Assistant Attorney General Joseph B. Keenan, by special messenger, a letter reading:

"The Attorney General referred to me for study and recommendation your memorandum of May 13, 1935, with enclosures, relative to alleged irregularities based on transactions in the Bureau of Air Commerce, Bureau of Lighthouses and the U. S. Shipping Board Bureau of the Department of Commerce.

"As you pointed out in your memorandum to the Secretary

of Commerce of May 10, 1935, 'before the Department of Justice can proceed it will be necessary to assemble the evidence, supply the names of the witnesses, and compile the history and background of each case, so that the facts set forth in my memorandum to you may be satisfactorily proved in court.' *In our study of the papers which you submitted we find it necessary to obtain further information regarding the transactions therein mentioned.*

"I shall greatly appreciate it if you will call my office with a view to arranging a mutually convenient date for a conference with representatives of this Department."

I was struck by the unusual procedure which was employed in the delivery of that letter. In my two years' service in the Little Cabinet I never before had received by special messenger a letter which simply asked that I participate in a conference to be held at a "mutually convenient date," nor had I before in communications received from other members of the Little Cabinet been requested to give a receipt for the letter. The Justice Department messenger demanded a receipt from me personally. Moreover, its delivery to me at 6:30 in the evening emphasized the unusualness of the procedure. The mystery surrounding the delivery of the letter, however, was entirely cleared up the next morning, June 15th, 1935, by the delivery to me by Secretary Roper of a letter from the President, dated June 13th, 1935, removing me from office, which the Secretary evidently had held over for two days.

It seems apparent that Mr. Keenan rushed the letter to me at 6:30 in the evening and demanded a receipt for the purpose of laying a basis for the contention that I was being shown every consideration in connection with my desire to have the charges investigated and prosecuted. Or, perhaps, it would be more in accord-

ance with the facts to say that every effort was being made to *make it appear* that there was no intention on the part of Secretary Roper, the Department of Justice, and the President to put a quietus on the charges with the resulting benefit to the recalcitrant officials, racketeers among the shipping fraternity, and others.

The President's letter removing me said:

"Reference is made to your recent letters of May twenty-ninth and thirtieth, bringing to my attention certain matters relating to the Shipping Board Bureau and other services in the Department of Commerce. You state that these have been called to the attention of the Secretary of Commerce, and I am advised that on May thirteenth of this year, pursuant to his suggestion you submitted what information you had to Attorney General Cummings. Consequently, I am referring your two recent letters to the Department of Justice. *You will, of course, be furnished every opportunity to amplify and substantiate your comments.* The Department of Justice is being requested to continue energetically its consideration of your communications."

Secretary Roper in his statement to the press concerning my removal also attempted to assure the public that the investigation of my charges would not be hampered by my ouster. He said:

"Mr. Mitchell has been advised that he will be furnished every opportunity by the Department of Justice to amplify and substantiate his comments."

The foregoing record was intended to convince the public that my charges were to be vigorously and impartially investigated by the Department of Justice and that I would be furnished every opportunity "to amplify and substantiate" them notwithstanding my ouster from the position of Assistant Secretary of Commerce.

Regardless of all these fulsome assurances that I was to have every opportunity to "amplify and substantiate" my comments I was forcibly impressed with the inconsistency of those responsible for my removal if they really desired these charges investigated, and on June 18th, 1935, I stated in a letter to the President:

"I note that you have sent my letters to the Department of Justice and have requested that Department to continue energetically its consideration of my communications, also the information I previously furnished that Department after reporting the facts to the Secretary of Commerce. You state: 'You will, of course, be furnished every opportunity to amplify and substantiate your comments.' It seems rather ironical, Mr. President, for you to suggest that I assist in uncovering frauds against the United States which might result in civil actions to recover money and in prosecutions for violations of the Criminal Code, when in the same communication *you remove me from a position where I would have access to the records and personnel on which proof depends.*"

I even offered to serve as an Assistant Attorney General at One Dollar a year and devote my full time to preparing for trial the cases included in my allegations but the President did not accept my tender.

My worst fears concerning the sincerity of the protestations by those in authority of their intention to make an impartial investigation of my charges of irregularities in the Department of Commerce are all too well realized. Only one very brief statement has been given the press by Attorney General Cummings concerning the transactions described in the memoranda I delivered to him. He said that my allegations had been divided into 18 classifications and added:

"These contracts will be studied further to determine whether or not they contain anything which should call for

judicial scrutiny. So far, the examination reveals no criminal liability, but *rather a degree of liberality in the formation of the contracts.*"

The "*degree of liberality*" which the Attorney General had in mind was:

(a) The waiving of \$1,720,000 due the Government when the *Leviathan* was taken off the seas;

(b) The payment of unconscionable profits to the Roosevelt Steamship Company;

(c) The gift of \$71,000 to the Tampa-Interocean Steamship Company by the Shipping Board;

(d) The wanton scrapping of ocean-going vessels;

(e) Other transactions of similar nature involved in the remaining fourteen classifications of my charges of irregularities in the Department of Commerce.

It is now nearly one and one-half years since I handed this memoranda to Attorney General Cummings and he assured me they would receive *prompt* attention. To date no suit has been brought or grand jury investigation begun. In the meantime, the three-year criminal statute of limitations has run against nearly all the transactions which indicated criminal collusion between the contractors whose raids upon the public treasury brought them such inordinate profits, and the public officials responsible for permitting such raids.

CHAPTER XXV

CHAIRMAN ROYAL S. COPELAND APPLIES "WHITEWASH"

Senator Royal S. Copeland has represented New York in the United States Senate for thirteen years. For several years before being promoted to the Senate by Tammany Hall he was Health Commissioner of New York City. He is a typical Tammany-made politician. He is a leader among those who favor subsidies for shipping companies, and the majority of those who have gotten away with swag running into the millions handed out in the name of patriotism and under the guise of building up the American Merchant Marine are his constituents.

My refusal of the President's request to resign was based on the hope that my removal might create public sentiment sufficient to cause a clean-up of the unsavory conditions and induce the Department of Justice to present to a Federal grand jury my charges of irregularities in the Department of Commerce and bring civil actions for the recapture of several million dollars due the Government.

So much furore was caused by my removal that the Senate Committee on Commerce undertook to make an investigation of my allegations. Three days after my ouster, on June 19, 20 and 21, 1935, that Committee held brief hearings. During these hearings Secretary Roper, six of his aids, and I appeared as witnesses. I was the only witness subpoenaed and *I was the only witness sworn!* Just why this course was followed per-

haps Chairman Copeland can best explain. It was suggested to me that the object was that a basis might be laid for a charge of perjury against me and the knowledge of this fact might cause me to be less vigorous in my testimony. It was also suggested that the reason Secretary Roper and his six aids were *not sworn* was to allow them every possible latitude in replying to my charges.

Chairman Copeland treated me like a prisoner in the dock. He badgered me with questions which were not asked for the purpose of eliciting information but were designed to embarrass me. Contrast this conduct of Chairman Copeland with that of the late Senator Thomas J. Walsh of Montana who developed the Teapot Dome oil lands scandal.

The Teapot Dome oil scandal was camouflaged by a lease executed by former Secretary of the Interior Fall on the naval oil reserve lands and it was alleged by Fall and other officials that the lease was of great value to the Government. Senator Walsh received a tip that there were indications of corruption in the transaction and instead of badgering his informant he went diligently to work to get at the truth and to that end examined 119 witnesses under oath and studied innumerable interdepartmental communications, letters, leases, and other documents which were introduced in evidence. The Hearings lasted seven months and fill three large printed volumes. As a result of his efforts the lease on the naval oil reserve lands was canceled, millions saved to the Government and Secretary Fall, who received \$100,000 in bribe money, was sent to the penitentiary. Senator Walsh had only one transaction

to investigate. There were eighteen transactions embraced in my charges.

He had the fine courage necessary to call as a witness Albert J. Fall, then a member of the President's Cabinet and with whom he had served several years in the Senate, and ask him face to face whether he had received a bribe for granting the lease to the Teapot Dome oil lands. Chairman Copeland did not have the temerity to call from among his constituents even one of the racketeers of the shipping fraternity, whose names he knows so well, and ask him face to face whether he had given a bribe to one or more Government officials for making possible the raids which were repeatedly made on the Federal Treasury.

Chairman Copeland disposed of all these serious charges by swearing only one witness in three Hearings covering only ten hours, when a Hearing really intended to develop the facts would have required as many months. At the close of these brief sessions he announced to the press, "Mitchell's charges have disappeared into thin air."

The other members of the Committee who attended the Hearings, with the exception of Senator A. H. Vandenberg of Michigan and Senator W. H. White of Maine, adopted practically the same attitude as Chairman Copeland. A spectator not knowing the cause of the Hearings could have easily gained the impression that I was on trial for some serious offense. Senators Vandenberg and White took an attitude of fairness and seemed anxious to get at the real facts.

Bennett Clark, Missouri's dilettante Senator, a member of the Committee and one of the New Deal's bold

gladiators of reform, who on occasion has flashed momentarily along the horizon of Senate debates, stood idly by while the Chairman applied the whitewash. Senator Clark admitted afterward to two persons that my allegations were well founded but he would do nothing about them because I had "lashed out" at him in my letter to the President. Think of the type of conscience, patriotism and statesmanship possessed by a Senator who will permit his wounded pride to be the controlling factor in his investigation of gross irregularities which he admits exist in a great Department of the Government!

Assistant Secretary John Dickinson was not one of the six aids Secretary Roper took with him and he did not voluntarily appear at the Hearings nor was he subpoenaed. It is decidedly strange, if Secretary Roper and Chairman Copeland really desired to secure the facts, that Mr. Dickinson was not produced as a witness because he has more information concerning the irregularities about which I complained than any of the six officials who accompanied Secretary Roper. Mr. Dickinson conferred with President Roosevelt concerning the permanent lay-up of the SS. *Leviathan* and upon one occasion when the President expressed impatience at the slowness with which the contract was being executed Mr. Dickinson explained to him that the delay had occurred because no consideration moving to the Government had been found upon which to base the contract.

No report on the Hearings has ever been made to the Senate by Chairman Copeland.

My opinion of how an investigation into the irregularities should be carried on for the purpose of ascer-

taining whether there had been any violation of the criminal law is shown in my testimony. The following is quoted from the record of the Hearings:

"Senator VANDENBERG: Now, Mr. Mitchell, to sum up the *Leviathan* case, you have charged, and I quote 'improper favoritism, graft, and apparent evidence of corruption in the Department of Commerce.' Do you identify favoritism, graft, or corruption in connection with the *Leviathan* deal?

"Mr. MITCHELL: Senator, I identify favoritism. I understand the word 'graft' to mean the receipt of something by a person to which he is not entitled. There may be corruption connected with it or there may not. I say 'apparent evidence of corruption.' Whenever public officials dispose of or attempt to dispose of \$1,720,000 of Government money as a gift, then I say there are apparent indications of corruption, because I cannot conceive why officials will do that unless they have some ulterior motive. (p. 29.)

"The CHAIRMAN: Let us ask the witness if he has evidence of graft, corruption, and favoritism in the present administration of the Commerce Department.

"Mr. MITCHELL: I have never charged corruption. I have only charged appearances of corruption, and I explained that a while ago. These records all are full of graft, if I understand the word. Graft means, as I understand it, the receipt of something by someone to which he is not justly entitled.

"Senator VANDENBERG: In return for a bribe or something similar.

"Mr. MITCHELL: That would be corruption; but if there is no bribe attached, it would be just plain graft. (p. 35.) I have never charged directly there is corruption in these matters, because I have never seen any money passed or anything like that. But I do charge that where there are hundreds of thousands of dollars and millions of dollars in effect given away, of Government money, that indicates that there is corruption. (p. 44.)

"Senator VANDENBERG: I come back to my question. In your statement, in your letter to the President, and in your statement to the committee, you have drawn the Teapot Dome parallel.

The Teapot Dome, in common parlance, means direct bribes. You have no evidence of any such thing as I understand it?

"Mr. MITCHELL: I have not.

"Senator VANDENBERG: And you are not inferring any such thing, as I understand it?

"Mr. MITCHELL: Only to say that in transactions of the kind that it is indicated.

"The CHAIRMAN: The same sort of corruption that was found in Teapot Dome is indicated?

"Mr. MITCHELL: Mr. Chairman, in the Teapot Dome, they gave Secretary Fall \$100,000, as I remember it.

"The CHAIRMAN: In a black bag.

"Mr. MITCHELL: Now, I do not say that anybody got money here *but I do not know whether they did or not*, and the only way you probably will find out will be an investigation *by an honest investigator with a competent grand jury*, and that is what I have been urging here all of this time. *That is the only way you will ever find out anything about the inside of these transactions.* And why shouldn't it be done? Why shouldn't it be done? Are you to just wave aside this laying-up of the *Leviathan* which involves \$1,720,000? Are you to say that that is just a nice, sweet, and friendly transaction? It may be that. But does not the Government's interest demand the most minute investigation into that transaction? I say it does." (p. 45.)

Why was Chairman Copeland so anxious to white-wash the Department of Commerce, do you ask? The answer is:

(a) Many of his constituents, well known and highly prosperous, would have been involved if a searching inquiry by his committee had resulted in civil actions and grand jury investigations based on Shipping Board transactions.

(b) He desired to maintain harmonious relations with the Commerce Department, where then was pending the application of Donald M. Rainey for a position

in the Air Commerce Bureau, and where he frequently applied for favors.

(c) He desired to protect the New Deal from any adverse effects a thorough airing of my allegations might have brought it. Of late—since Congress passed a ship subsidy bill the Senator does not like—his affections for the New Deal have grown cold.

CHAPTER XXVI

THE PRESIDENT APPOINTS A "TRANSPORTATION EXPERT"

The President in his letters demanding my resignation and directing my ouster stated he wanted me to vacate the position because he wished to *reorganize and make more effective the transportation service of the Federal Government* and for this enlarged endeavor he desired to appoint in my stead a man of *large executive training and wide administrative experience*. The following is a full copy of his letter of May 29, 1935:

"I am desirous of reorganizing and making more effective the transportation service of the Federal Government. As the Department of Commerce is an important unit in this transportation service program, I desire for this enlarged endeavor a man of large executive and administrative training.

"To this end, I would thank you to tender your resignation as Assistant Secretary of Commerce at once."

The following is the concluding paragraph from his letter of June 13, 1935:

"In my letter to you of May 29, advising of my desire to reorganize and make more effective the transportation service of the Federal Government, I requested your resignation to open the way for the appointment of a man of wide administrative experience. You have declined to resign. Therefore, I hereby remove you from your office as Assistant Secretary of Commerce, effective immediately."

So, to fulfill these desires the President appointed Colonel J. Monroe Johnson to succeed me as Assistant Secretary of Commerce. Colonel Johnson's qualifications for the services outlined by the President, accord-

ing to his own statement in *Who's Who in America*, are as follows:

"Civil Engineer, Marion, South Carolina; Principal projects Cow Castle Drainage District, Orangeburg, S. C.; Catfish Drainage District, Dillon, S. C.; Mars Bluff Bridge, Pee Dee, S. C.; Society Hill (S. C.) Bridge; Godfrey's Bridge, Gresham, S. C."

Colonel Johnson gave the following testimony concerning his qualifications as a "transportation expert" on March 9, 1936, at a hearing on the ship subsidy bills before the Senate Commerce Committee:

"Senator GUFFEY: What experience have you had with shipping, Colonel, before you became Assistant Secretary of Commerce?"

"Colonel JOHNSON: I can do anything with a small boat that anybody can. I was born on the river and went to sea. I am perfectly familiar with ships. I am an engineer."

"Senator GUFFEY: You know about shipping then?"

"Colonel JOHNSON: What I know about shipping I learned since I got here, and I found out that I know about as much as anybody else here."

"Senator GUFFEY: That is true. You really became an expert last year, did you not, Colonel?"

"Colonel JOHNSON: I am not an expert yet. I find confusion and bickering over small things that would defeat the American Merchant Marine. The nearer we get to legislation the more confused we get."

It will be observed that Colonel Johnson's business activities have been confined solely to civil engineering in South Carolina.

In view of the fact that the President vetoed the soldiers' bonus bill a short time prior to Colonel Johnson's appointment the following, also taken from *Who's Who in America* concerning Colonel Johnson, becomes significant:

"Member American Legion and member of its Executive Committee since its organization."

What Colonel Johnson does not know about transportation he makes up in knowledge of American Legion affairs. Since coming to Washington he has been very active in meetings of this organization and has made several speeches. No doubt his voice will be heard in the coming campaign, not as a transportation expert, but as a Legionnaire, and in communities where the soldier vote is threatening to go against President Roosevelt.

CHAPTER XXVII

KICKED OUT OF THE POSITION OF ASSISTANT SECRETARY OF COMMERCE

Presidential requests usually have the force of command and it must be assumed that some potent reason restrained me from complying with the President's request that I immediately resign.

A few weeks before, on April 28, 1935, President Roosevelt in a radio address had called upon all citizens to watch the expenditure of public money and to inform him how it could be more effectively spent. On that occasion he said:

"I, therefore, hope you will watch the work in every corner of this Nation. Feel free to criticize. Tell me of instances where work can be done better, or where improper practices prevail. Neither you nor I want criticism conceived in a purely fault-finding or partisan spirit, but I am jealous of the right of every citizen to call to the attention of his government examples of how the public money can be more effectively spent for the benefit of the American people."

What he invited every citizen to do was exactly what I was anxious to do, namely, to tell him "of instances where work could be done better" and "where improper practices prevail" and "how the public money can be more effectively spent for the benefit of the American people."

Moreover, since I had been the President's pre-convention manager in one of the larger States of the Union and had served in his Little Cabinet for two years and wanted to talk to him about conditions in one of the

largest Departments of the Government, I felt he undoubtedly would hear me before dismissing me.

Upon receipt of his request that I tender my resignation at once, I immediately wrote the President briefly, asking that he grant me an interview and also consult Mr. James A. Farley, whom I had informed of conditions in the Department. My letter, dated May 29, 1935, stated:

"I have received your communication of this date in which you request that I tender at once my resignation as Assistant Secretary of Commerce.

"In this connection I am very certain that it would be to your interest to give me an opportunity to explain to you the conditions which exist in the Department of Commerce and the part I have played therein.

"I also am very certain that it would be to your advantage in this connection to consult Postmaster General Farley as to his knowledge of conditions which exist in this Department, and particularly in connection with those in reference to the United States Shipping Board Bureau, the Bureau of Navigation and Steamboat Inspection, Bureau of Lighthouses, Coast and Geodetic Survey, and the Bureau of Air Commerce.

"I delivered to Mr. Farley on the 14th instant several memoranda setting forth in detail the conditions that exist in the Department of Commerce. These memoranda are full of dynamite and may explode at any time. I saw Mr. Farley for a moment on the 22nd. He told me that he had read every word of the memoranda and would see me later concerning them.

"Whether I continue in my position as Assistant Secretary of Commerce is of small moment to me. I was drafted for the place. But it is of vast importance to your Administration and the public interest that the small number of men in this Department who have had the courage to make a determined and a continuing stand in defense of your Administration and the public welfare shall not be ousted from their positions. If you do not now know it you soon will learn the fact to be that my going will be the forerunner of the dismissal of these faithful officials."

The next day I wrote the President more at length explaining why I did not accede to his request to resign. In order that he receive this letter promptly I took it to the White House myself. Mr. Marvin McIntyre, one of his secretaries, telephoned me the President had received my letter of the 29th and had asked him to say that the President would be glad to sit down and have a long talk with me about Department of Commerce affairs at the first opportunity, but he was uncertain as to whether my letter of the 29th was intended as a resignation. I replied that it was not and that, just a few minutes before, I had left another letter at the White House explaining my position in detail. He said he would telephone me as soon as he had read it. To this day I have heard nothing further from Mr. McIntyre on the subject, nor has the President granted me an interview so that we might "sit down and have a long talk about Department of Commerce affairs."

Instead of getting a call from Mr. McIntyre I received an urgent call from Mr. James A. Farley, who, besides being Postmaster General, is the President's chief political adviser and Chairman of the Democratic National Committee. About a week before, Mr. Farley had remarked to me he had "read every word" of the memoranda I left with him and that "they depict a very serious condition." When I responded to his call, Mr. Farley stated he knew of the President's request for my resignation and my refusal to resign, and said:

"As a friend of yours I would advise you to go quietly out of the Department of Commerce and accept the place Jesse Jones has offered you. I would leave to the Republicans the uncovering of any crookedness that may be in the Department of Commerce."

I replied:

"Farley, I have been thinking you are an honest man but you do not talk like one today. You know the conditions in the Department of Commerce and yet you urge me to close my eyes and mouth to them and go quietly out into another position. I will not do it. If you and the President and Secretary Roper do not want to clean up the Department of Commerce from the inside and the President insists on kicking me out I intend to give all the facts to the world and to the very best of my ability and with every means at my disposal will attempt to clean it up from the outside."

Mr. Farley said that any efforts I might make on the outside would be futile and no one would give me any credit for attempting to expose the conditions.

My second letter to the President, explaining in detail the reasons for my refusal to resign, reads:

"Upon further consideration of your communication, dated May 29, requesting that I tender at once my resignation as Assistant Secretary of Commerce and my reply thereto suggesting that you should give me an opportunity to explain to you the conditions existing in the Department of Commerce, I am persuaded that it is my duty to you, as the Chief Magistrate of this Nation as well as the responsible head of our party, to apprise you of the sinister influences that have been working for months to bring about my removal.

"First, let me restate what I said in my letter written yesterday. Whether I continue in my position as Assistant Secretary of Commerce is of small moment to me. I was reluctant to accept the position and was drafted for the place. I undertook the duties of the office in the hope and expectation that I might be able to accomplish some real constructive work for the New Deal and for honest and efficient government. Almost from the beginning of my term of office, however, I was met with the active hostility of the entrenched special interests, who fattened at the public crib during the past Administrations and who have marked me for slaughter because I have consistently

opposed their efforts to continue their predatory tactics under your Administration.

"If I had consulted my own best interests or the conservation of my health—if I were inclined to be a slacker—I would have tendered my resignation and would have accepted the responsible position repeatedly and urgently tendered to me within the past 60 days by Jesse Jones, Chairman of the Reconstruction Finance Corporation, at the same salary and with less onerous duties. However, I never have been a job seeker. I have been active in Missouri politics for 30 years but this is the first public office I have sought or accepted in that time. Having been drafted for this job I have refused to be tempted away from it even to avoid a bitter conflict with the racketeers who are now boring from within the Department.

"In your inaugural address you told the Nation that the money changers were to be driven from the temple. When I reluctantly agreed to take a position in your Little Cabinet, I resolved to do all in my power to aid you in carrying out the policy you had announced.

"But instead of there being a New Deal in the Department of Commerce, Secretary Roper has supinely surrendered to the special interests that have dominated this Department and the old Shipping Board under the Hoover and previous Administrations. Instead of driving out the money changers, he has invited them in. They are entrenched here now and every effort on my part to oppose their raids upon the Treasury, to compel restitution of public funds unlawfully disbursed, and to reorganize and reform the inefficient bureaus assigned to me for supervision, has been met with indifference or active opposition upon the part of the Secretary. The whole atmosphere of his Department has been to whitewash and cover up the delinquencies of the past and to accede to every demand made by the high-pressure lobbyists and representatives of selfish interests, irrespective of the merits of the case. Common honesty and the vital interests of the Government have been repeatedly subordinated to expediency and currying favor with such interests.

"When I took office I was assigned to supervision over the Bureau of Lighthouses, Bureau of Navigation and Steamboat In-

spection, Coast and Geodetic Survey, and the Bureau of Air Commerce. When the functions of the old Shipping Board were taken over by the Department of Commerce in August, 1933, they were placed in my charge.

"I soon learned that the Steamboat Inspection Service, the Bureau of Lighthouses, and the Coast and Geodetic Survey were suffering from extravagance, waste, and dry-rot. I have repeatedly urged Secretary Roper, orally and by written memorandum, to appoint some New Dealers to key positions in those Bureaus so that the needed reforms could be carried out, but up to date and after more than two years of your Administration, in the Bureau of Lighthouses and the Coast and Geodetic Survey, with a personnel of approximately 10,000 and annual expenditures of \$50,000,000, not one single member of our party has been appointed to a key position. The Bureau of Air Commerce and the Steamboat Inspection Service have been partially reorganized but much remains to be done, particularly in the latter Service where inefficient inspection probably contributed to the Morro Castle disaster.

"It may well be that the lives of Senator Cutting and those who died with him in the recent airplane crash might have been spared if one with knowledge, experience, and stability suited to the position had been in charge, for the past two years, of the Bureau of Air Commerce.

"It is in the administration of the Shipping Board Bureau, however, that the greatest abuses and the possibility of scandal seriously reflecting upon your Administration have been allowed to continue and develop. In the beginning, Secretary Roper set up an advisory committee of three members to handle the functions of the old Shipping Board under my supervision. A good start was made toward honest and efficient administration. Two of the members of the committee were in thorough sympathy with and gave loyal support to the policy of driving out the money changers. We soon ran into opposition from the racketeers, however. General Saltzman was allowed to resign in disgust and I was superseded by Director Heimann, who was acceptable to the same group of shipping men who have been exposed in the investigations conducted by Senator Black's com-

mittee and by the Postmaster General. This marked the complete surrender made by Secretary Roper to the predatory interests that had fattened in the past on the extravagant mail contracts, construction loans and other subsidies, so severely condemned in your recent message to Congress.

"Within the limitations of this letter I could not begin to acquaint you with all of the scandalous abuses in connection with Shipping Board Bureau matters that have come to my attention. However there is one outstanding transaction that recently has been consummated by Secretary Roper which I feel in duty bound to bring to your notice. I refer to the execution on March 18, 1935, of the contract with the United States Lines (Nevada) providing for the permanent lay-up of the *Leviathan*.

"It is stated here in the Department, and the official files tend to corroborate the statement, that this contract was made at your direction. (See memorandum from Director Peacock to Solicitor Trimble, attached.) If this is true, I am satisfied that this action on your part was taken without full knowledge of all the facts and without full knowledge of the damage to the best interests of the Government such action entailed. Moreover, I do not believe you were advised, before the contract was executed, of the letter written by the Acting Comptroller General of the United States to Secretary Roper under date of March 12, 1935, six days before the contract was executed, on the laying up of the *Leviathan*, in which he pointed out that the United States Lines Company had received a subsidy of over \$3,000,000 from the Government less than four years ago to insure the continued operation of the vessel for a period of five years. The Acting Comptroller General said: 'Now it is proposed to subsidize the *non-operation* of the vessel for the remaining two years by waiving liquidated damages that would accrue for failure to operate the vessel in the years 1935-1936 to the extent of \$1,300,000 in addition to \$920,000 accrued for the years 1933-1934.' This would make total liquidated damages of \$2,220,000 due the United States. (See copy of Acting Comptroller General's letter attached, p. 8.)

"Under the terms of the contract executed by Secretary Roper the Government is to receive payment of \$500,000 scattered over

12 years, without interest, in return for waiving the amount of liquidated damages above stated.

"It may be asserted that a consideration for the waiving of this \$1,720,000 is the promise to construct a vessel, but as the Acting Comptroller General pointed out, this would not constitute a valid consideration for the following reasons: First, if the vessel is not built, the company would lose a lucrative mail contract with the Post Office Department, and as the Acting Comptroller General states in his letter (p. 22), 'such being the case there would be a total lack of consideration moving to the United States in the proposed agreement;' secondly, the vessel does not have to be constructed unless the company can obtain a loan of \$7,000,000.

"This is a plain attempt to make a gift of Government funds to those interested in the company, prominent among whom are P. A. S. Franklin, John M. Franklin, Vincent Astor, and Kermit Roosevelt, without any consideration whatever to the Government. I fear that your approval of this contract, if you did approve it, must have been obtained through misrepresentation or the withholding from you of vital facts in the case.

"If your confidence has been betrayed, as I fear it must have been, it is my sworn duty as an officer of the Government to bring this transaction to your attention so that necessary steps may be taken to protect the Government from this attempted outrage by the rescinding of the contract.

"I apprehend that one of the reasons why certain persons have urged my removal from office is because of my vehement opposition to transactions like the laying up of the *Leviathan*, which are against the public interest but which are desired by selfish interests. Because of that attitude on my part, I have become unpopular with the racketeers, including their representatives within the Department itself, and I am persuaded that the moves to require my ouster have been inspired and fostered by such predatory interests.

"I firmly believe that a Congressional investigation of the Department of Commerce along the lines and with the vigor pursued by the late Senator Walsh in the Teapot Dome oil scandal would develop the existence of conditions that would amaze

the country and disclose that the loss that has been sustained by the Government would far exceed in value the amount involved in the Teapot Dome oil scandal.

"In addition, it appears from newspaper stories that the two Senators from my State have joined in the effort to force my resignation or removal from office. I might point out to you that the enmity of Senator Truman was incurred through my consistent opposition to the Pendergast machine which bitterly opposed my efforts to organize Missouri for your candidacy in 1932.

"I am just in receipt of a letter from a prominent and unusually well-informed newspaper man in Missouri, touching on this question, which reads, in part, as follows:

" 'I had hoped that in the matter of the talk of Tom Pendergast's Senator and Bennett Clark, as to your being 'on the way out', it was only the wish being father to the thought. * * * I can think of few better things pertaining to good government for Missouri than that you win in this vicious fight on you. An alliance at this time between Clark and Pendergast, whether or not they succeed in ousting you, can mean nothing less than even worse conditions here until the devilish machine collapses of its own rottenness. * * * I hope many Democrats, like myself, are thinking along these lines. I have been voting in Missouri since 1896 but I never saw things worse than they are now. * * * I shall be most happy to find that you succeed in defeating this gang.'

"The conditions existing in this Department to which I have referred are well known to Secretary Roper. I have brought them to his attention both orally and in writing. The issues involved are not mere differences of opinion—mere differences in viewpoint—as you may have been advised. Our differences go to the very essence of what is good government and what is common honesty.

"Accordingly, as a matter of principle, I do not see my way clear to tender my resignation and thus make it easy for the chisellers and racketeers to rob the Government. I have resisted the removal of certain loyal public servants who, as pointed out in my letter of yesterday, will in all probability be dismissed as soon as I am out of the way.

"I earnestly believe that it is for the best interests of the people and for the best interests of our party and of your Administration, that I should not resign, even though I may be accused of being lacking in respect to you and your high office, which I am not, in failing promptly to accede to your request for my resignation.

"May I again suggest that it seems desirable that I discuss this situation with you personally?

"Believe me, Mr. President, with great respect."

*ATTENTION OF PRESIDENT CALLED TO MORRO
CASTLE DISASTER*

It will be observed that I called to the President's attention in the foregoing letter that inefficient inspection by the Steamboat Inspection Service probably contributed to the Morro Castle disaster.

The Bureau of Navigation and Steamboat Inspection of the Department of Commerce is charged with inspection of all ocean-going craft. Thorough inspections are very necessary to the safety of steamships and the prevention of fires aboard them. Fire drills by the crew, careful inspection of fire extinguishers and life preservers are most important. The report of the last inspection of the Morro Castle before she burned with a loss of 124 lives shows the inspection was very superficial in many vital respects.

Although the Bureau of Navigation and Steamboat Inspection was under my charge, Secretary Roper handled the Morro Castle disaster through Assistant Director of the Bureau Dickerson N. Hoover and Solicitor Trimble, without consulting me. There was evidence of a desire to whitewash the Ward Line, owner of the Morro Castle, and relieve it of all responsibility for the catastrophe.

United States District Attorney Martin Conboy of New York in a report to me of his investigation of the Morro Castle disaster stated:

"The *Morro Castle* disaster was on September 8, 1934. The last inspection of the boat was conducted at Pier 14, East River, New York, N. Y., on August 4, 1934, by Allen P. Moffat, Assistant Inspector of Hulls, and E. J. Martin, Assistant Inspector of Boilers. It was the first re-inspection following the annual inspection in May, 1934.

"The inspectors stated in their report that they had boarded the ship at about 9 o'clock that morning, which was a short time after she had docked on her return from her weekly voyage to Havana, Cuba. The ship was scheduled to leave again for Havana that same afternoon at 4 o'clock. The record of the inspection indicates that it continued until about 11:30 A. M. or 12 o'clock noon.

"The inspection conducted by Assistant Inspector of Hulls Moffat, although almost entirely visual, included a great many items, as set forth in his report on Form 840-F of the Steamboat Inspection Service of the Department of Commerce. In a period of approximately two and a half hours, Inspector Moffat inspected, according to his report, the hulls, decks, superstructure, gangway ports, side ports, scuppers, dead lights, bulkheads, other hull openings, main steering gear, auxiliary steering gear, speaking tubes, telephones, fog horn, compasses, telegraphs and ground tackle, and found everything in good condition. He reported that the anchors and cables were in good condition, that the windlass was in good operating order, and that the ship had efficient equipment for the handling of the anchors. He also reported that he inspected each of the 12 lifeboats for condition and equipment and examined 849 life preservers on the ship. Further, that he examined boat falls and blocks and found the engines of the motor lifeboats and all boat davits in good operating order. Also, that he tested the two hand pumps and examined to see that the 25 fire buckets were full of water and in place, that the fire lines and hose were in good condition, and that the 100 fire extinguishers were ready for immediate use. Also, that he checked to see that the notices of the location of

the life preservers and the method of their adjustment were posted, and he reported that the crew were drilled in the use of life preservers. He also checked to see that the station bills for fire and boat drills were posted.

"The inspector reported that he conducted a fire drill between 10 and 10:10 A. M. followed by boat drill. According to his report, the six lifeboats on the starboard side were swung out and numbers 3, 5, 7 and 9 (all except the forward No. 1 and aft No. 11 boats) were lowered to the water and the crews thereof exercised in rowing. He reported that each licensed officer or able seaman in charge of a lifeboat had a list of his crew, and that the men were instructed to plug drain holes upon entering boats. He further reported that all the life-saving equipment complied with the laws, rules and regulations of the Steamboat Inspection Service and that all the lifeboats together with their equipment were in good condition and ready for immediate use.

"It seems doubtful that such an inspection could have been other than superficial to comprise all that is mentioned in the report in so short a period. The annual inspection of the ship, which, of course, is much more thorough, took two full days, from 9 o'clock in the morning until 5:30 o'clock in the afternoon of May 14, 1934, and from 9 o'clock in the morning until 7 o'clock in the evening of May 15, 1934.

"Members of the crew who say they were present during the inspection have advised us that not even the semblance of a fire drill was held. They may not have been present or their memories may be defective. The entry in the report that lifeboats numbers 1, 3, 5, 7, 9 and 11 were swung out on the davits while lifeboats numbers 3, 5, 7 and 9 were lowered to the water and their crews exercised in rowing is contested by members of the crew, and in this connection the conditions that morning are significant.

"During the lifeboat drill and practically throughout the entire period that the *Morro Castle* was alongside the pier an oil barge was moored on the starboard side amidships. The log of that barge indicates that it arrived alongside the *Morro Castle* at 9:10 A. M. and left at 3:15 P. M. Cargo lighters were also



From the St. Louis Post-Dispatch

AND WHO WAS RESPONSIBLE FOR INSPECTION?

moored alongside the starboard side of the ship forward and aft of the above mentioned barge throughout the entire morning. These craft must have extended on the starboard side of the *Morro Castle* from stem to stern, making it apparently impossible to lower any of the six starboard boats and somewhat dangerous to swing them out. The captain and deckhand of the oil barge stated, when interviewed, that they did not notice any of the ship's lifeboats being lowered on the morning of the inspection. With their barge and the lighters tied alongside the ship directly beneath its boats, during the entire inspection period, it would have been difficult if not impossible to lower the lifeboats unless the barge and lighter were pulled clear of the ship, which does not appear to have been done. The supporting testimony most favorable to the reports of the inspectors is to the effect that boats Nos. 3 and 5 alone were swung out, to the level of A deck, but that no boat was lowered below that.

"In the report it is stated that station bills for fire and boat drill were posted. These bills were inadequate and did not comply with the law and with the rules and regulations of the Bureau of Navigation and Steamboat Inspection.

"Mr. Martin's part in the inspection does not appear to be open to the possibility of criticism in as great a degree as does Mr. Moffat's. The duties of the boiler inspector were apparently less exacting than those of the hull inspector. Mr. Martin did, however, make entries in his report to the effect that 'satisfactory' fire and boat drills were held, giving the times of their starting and completion."

At the time of the fire on the *Morro Castle* the greatest confusion reigned. The effect of the failure to hold fire drills was apparent as the members of the crew did not know where their stations were. There existed no organization for concerted, unified action in cases of emergency. An expert who examined the vessel after the fire testified the fire could never have gotten beyond the room where it started if the doors and windows of the room, made of steel, had been closed. It developed

that many of the crew were aliens and a number of them took to the lifeboats leaving the passengers to drown or perish in the flames.

CONDITIONS IN AIR COMMERCE BUREAU

I also called the President's attention, in my letter, to the accident in which Senator Cutting and others were killed, saying:

"It may well be that the lives of Senator Cutting and those who died with him in the recent airplane crash might have been spared if one with knowledge, experience, and stability suited to the position had been in charge, for the past two years, of the Bureau of Air Commerce."

The position of Director of the Bureau of Air Commerce is one of great responsibility. The lives of thousands of those who fly depend in many instances on the regulations promulgated and enforced by this Bureau. The welfare and progress of the aviation industry, which is still in its infancy, is largely in its keeping. Only the best equipped man in the country, whose services can be secured, should be permitted to occupy the position.

Mr. Eugene L. Vidal, now Director of the Bureau, and Colonel J. Carrol Cone and Mr. Rex Martin, now his assistants, preceded me in office by a few days.

Mr. Vidal's background is good and he had had considerable experience in aviation but he was lacking in certain general attributes. His appointment was urged by Senator Thomas P. Gore of Oklahoma, who was then his father-in-law, and the President was much impressed with a formula he prepared by which he undertook to prove the transportation of air mail could be made self-sustaining in two or three years.

Colonel Cone served two terms as State Auditor of Arkansas and his aviation experience extends from the beginning of flying and covers almost every phase of it. He saw service as a pilot at the front in the World War, he conducted the largest flying school in France, he has been a manufacturer and salesman of airplanes, he has been a racing pilot and flew all over America before aids to air navigation were installed; he is familiar with and has flown practically all types of planes and he feels toward aviation about like a mother does toward her only child. His chief ambition in life is to further aviation and give assistance to the development of the science and the industry. He had the support of Senator Joseph T. Robinson of Arkansas, majority leader of the Senate, for the position. Notwithstanding Colonel Cone's superior qualifications and great zeal for his duties, Secretary Roper some time ago tried to "ease" him out with the offer of appointment as Commissioner of Lighthouses.

Mr. Rex Martin's chief qualification consisted of the authorship of a book on commercial aeronautics. He is not a pilot. What he lacked in qualifications he made up in political influence. He was strongly backed by the late Representative Henry T. Rainey, of Illinois, who was then Speaker of the House of Representatives.

The Senate Committee on Commerce spent several months investigating the causes of the crash that killed Senator Cutting and others and also the conditions in the Bureau of Air Commerce. In the Committee's report to the Senate, on June 20, 1936, it had this to say concerning the qualifications of Vidal, Cone and Martin for the positions they hold:

"When we approach the question of what to recommend regarding Mr. Vidal, nominally in charge of the Bureau of Air Commerce, we are at a loss. He is an amiable gentleman. He has a good background. Our fear is that he is too amiable, that he is lacking in iron, positiveness, and the determination to keep the employees under his direction functioning according to schedule.

"Concerning Colonel Cone, we have no recommendation to make. He came through the ordeal without criticism.

"We question the professional equipment and preparation of Mr. Rex Martin. A man of much larger experience is needed for this position. He must be chosen, not with reference to his political affiliations but strictly because of his professional ability, his known success as an administrator, his possession of tact and qualities of leadership. These qualities are not combined in Mr. Martin. We can say this without any reflection upon his character, his zeal, or his desire to do a good job.

"It is unpleasant for us to be required to reflect in any manner whatever upon individuals. We wish we could be spared this necessity, but we strongly recommend to the Secretary of Commerce that he thoroughly overhaul the Bureau of Air Commerce with a view to improving its administrative officials. Until there is greater firmness, greater experience with men, larger knowledge of the problems involved, there can be no hope of improvement in the Bureau of Air Commerce.

Mr. Vidal's greatest weakness was the frequent surrender of his well-conceived plans to the dictation of Mr. Kerlin and others. He was very proud of his position and the publicity it brought him, and he evidently feared he would jeopardize it if he antagonized Mr. Kerlin and his henchmen in the Bureau. Mr. Vidal was such a hound for publicity he usually took with him on his trips—at Government expense of course—F. R. Neely, the Bureau's publicity man, who made certain the newspapers always would carry his name, fame and full size picture. On two occasions, in Miami, Florida,

where the society content runs very high, Mr. Neely in his enthusiasm to do an extra good job, presented Mr. Vidal to a waiting world not as Director of the Bureau, but as Assistant Secretary of Commerce for Aeronautics.

Mr. Vidal achieved considerable notoriety in 1933 when he announced the production of a \$700 plane was "just around the corner." A cheap plane has not yet been produced but in the meantime the industry has suffered because those intending to purchase planes have been waiting the appearance of a cheap one.

Two illustrations of Mr. Vidal's lack of stability are shown in the appointment of Mr. Donald Bartlett and the dismissal of district managers.

The position of Chief of the Administrative Division of the Bureau of Air Commerce soon was to be vacant. Mr. Vidal had recommended Mr. Donald Bartlett for the place and so that he might become familiar with the duties of the position he was given a temporary appointment in the Division with the understanding that he would be made Chief when the vacancy occurred. Mr. Bartlett had been actively connected with aeronautical affairs for eleven years, during a part of which time he and Mr. Vidal were associated together in the same company. Mr. Vidal had communicated with Mr. Bartlett at his home in Mississippi and explained the situation to him. The latter gave up his business there, moved his family to Washington, purchased a home, and began serving in the temporary position.

A short time after the vacancy occurred Mr. Kerlin handed me the personnel recommendation sheet of one

D. E. Casey, whose appointment to the position he said had been approved by Secretary Roper, Solicitor Trimble, Director Vidal and himself, and he added that if I would put my initials on the paper the appointment would be made immediately.

I had never heard of Mr. Casey, and knowing the arrangement for Mr. Bartlett's appointment, I was taken by surprise. Ordinarily, Mr. Casey's appointment sheet would have come to me in the usual office routine and when Mr. Kerlin presented it to me and stood waiting for me to affix my initials I had a feeling that I was being given the "rush act." I remarked that before I would be willing to approve Mr. Casey's appointment I would have to interview him and be satisfied with his qualifications for the place.

Mr. Casey, who had been a resident of Washington for nine years and had held several government positions, came in to see me. I found he had had no experience whatever in aeronautical affairs and had very scant qualifications for the place. I asked him in view of his lack of qualifications why it had occurred to him to apply for the position. He replied that he had not applied for it but that some one in Secretary Roper's office had telephoned him and tendered it to him. Although I repeatedly urged him to tell me who made the tender he as often said he did not remember. Mr. Casey's personnel recommendation sheet stated that he was a resident of Maine, but he stated he had not lived in Maine for 27 years.

Mr. Vidal admitted he had endorsed Mr. Casey, and when I reminded him of his endorsement of Mr. Bartlett and that the latter had given up his home in

Mississippi and moved to Washington with the distinct understanding that he should have the place, he said:

"Well, I do not know Casey and I do know Bartlett, but Kerlin and Trimble want Casey and what is good enough for Kerlin and Trimble is good enough for me."

A warm contest ensued for the position. Assistant Secretary Dickinson, having received a very bellicose letter from Senator Key Pittman of Nevada in relation to the appointment of Mr. Bartlett whom he had recommended, joined me in the support of Mr. Bartlett. Mr. Vidal had endorsed both applicants. Secretary Roper almost had a "dog fall," but he finally appointed Mr. Bartlett saying in a memorandum that what the position really needed was a "composite" man, one combining the qualities of both Casey and Bartlett.

DISMISSAL OF DISTRICT MANAGERS

Each of the six air navigation districts in the United States is in charge of a district manager. Soon after the incoming of the New Deal, it was discovered there were 364 superfluous employees, receiving a total annual salary of over \$600,000, connected with these districts. These employees had been engaged in the construction of lighted airways but there had been no construction work for two years. They were separated from the service. It was found that of property valued at \$15,000,000, only \$300,000 had been invoiced, and that of this total amount \$2,700,000 was surplus equipment, much of it bought in the last days of recent fiscal years, and a considerable portion was obsolete when unearthed. The cost system in vogue was very crude. The aids to air navigation were found to be in a de-

plorable state of inefficiency. The equipment constituting these aids had been in operation for more than seven years, but no test had ever been made of the efficiency of its output.

If the beam from an airways beacon strikes the ground two or three miles away or is elevated so that it sweeps several thousand feet over the adjacent beacons, it is useless under adverse weather conditions. Dirty glassware (lenses, reflectors, blackened lamps) may cut the light down as much as 30 per cent. The lamp must be accurately adjusted to the exact optical center of the reflector or lens. Misplacement of as little as one-eighth of an inch may result in loss of another 30 per cent of the light.

Of still greater importance is proper voltage for the lamps. Lamps are rated in various voltages from 95 to 120. An illustration of the importance of proper voltage is taken from a chart published by the Mazda Lamp Company on which it is shown that a 120-volt lamp on a 100-volt circuit will give only 55 per cent of its normal light.

From the foregoing, it is noted that if the airways lights are to be effective considerable care must be exercised in their maintenance. No such attention was given.

It seemed apparent from this state of demoralization that the managers of the six districts were incompetent and should be removed. To this end it was decided that an assistant manager should be appointed in each district to serve a sufficient length of time to acquaint himself with the duties of the office of district manager, and then he should supersede the district manager.

One afternoon Mr. Vidal came into my office somewhat perturbed. He said the services of the managers of the six air navigation districts were "lousy" and they should be dismissed at once, but because they were the subordinates of Mr. Martin and since the latter was in Europe he thought it would be discourteous to him to put them out during his absence. I urged, if the managers were incompetent, they should be dismissed without delay and that the matter was too important to postpone until Mr. Martin's return. Moreover, I knew from experience that Mr. Martin would be very apt to dominate the situation upon his return, and I said:

"If you wait until Mr. Martin returns you know you will let him talk you out of at least one-half of the dismissals."

But Mr. Vidal insisted and since it was a rule of the personnel committee that no changes in a bureau should be made without the consent of the chief of the bureau there was nothing I could do about it.

Soon after Mr. Martin's return from Europe, Mr. Vidal asked me to secure a meeting of the personnel committee as he desired to recommend that four of the district managers be dismissed. I urged that if the services of all the managers were "lousy," as he had said, that all of them be dismissed, but he would not agree. I asked him what Mr. Martin thought and he replied that he had not mentioned the subject to him but would let him learn of the dismissals after they were made.

The personnel committee promptly made the recommendation and telegrams were sent to the four managers that they had been indefinitely furloughed. These district managers were a part of Mr. Kerlin's machine.

Evidently some official or employee of the Bureau immediately informed the newspapers of the dismissals, for that very afternoon the opposition press fired a volley in which it was charged that we had displaced four tried, true and trusted officials for the purpose of making room for political favorites. So far as the politics of this transaction is concerned, the new managers installed are Democrats and those ousted proclaimed with great fervor they are also and brought to bear in their behalf considerable pressure from important Democrats.

Assistant Secretary Dickinson, who has a very thin cuticle and is reputed to have political aspirations, was thrown into a tail spin by the attack of the newspaper. He was the Acting Secretary at the time and, without mentioning the subject to Mr. Vidal or me, reversed the order and wired the managers that they were temporarily suspended and directed them to come to Washington for a hearing of their cases. Mr. Kerlin and Mr. Martin soon had one of the four restored to duty and the other three were given hearings in which the opinion of Mr. Vidal as to their qualifications was very clearly sustained. As is usual in such cases, because of the pressure from Senators and others, they were retained on the rolls for several months at high salaries doing odd jobs about the Bureau, but finally were dropped.

AIRPLANE CRASH WHICH KILLED SENATOR CUTTING

What was the cause of the crash which killed Senator Cutting and others?

Secretary Roper, in his appearance before the Senate Commerce Committee which held brief hearings on my

allegations of irregularities in the Department of Commerce, denied that the Air Commerce Bureau was at fault, saying:

"The experts of the Bureau of Air Commerce inform me that they cannot conceive of how the airplane accident in question could have been avoided irrespective of who was at the head of the Bureau; * * * the established aids and personnel were functioning properly in that area the night of the accident."

As soon as they learned of the crash, Director Vidal and members of the Accident Board of the Bureau of Air Commerce repaired to the scene. Several weeks were devoted to taking evidence and preparing the reports. The report of the Accident Board, addressed to Director Vidal, approved by him and transmitted to Secretary Roper, expressed in the following language the most absurd opinion of the cause of the accident:

"It is the opinion of the Accident Board that the probable cause of this accident *was an unintentional collision with the ground while the airplane was being maneuvered at a very low altitude in fog and darkness.*" (p. 5).

This report was approved and released to the public by Secretary Roper.

The finding of the Senate Committee on Commerce, as a result of its investigation of the causes of this unfortunate accident, was at complete variance with the opinion expressed by Secretary Roper, Director Vidal and the Accident Board. The Committee found:

"CAUSE OF THE T.W.A., ATLANTA, MO., CRASH ON
MAY 6, 1935.

"Pilot Bolton, having been obliged to pass up his landing at Kansas City, under direction from proper authority, set a course for Kirksville (Millard) Airport. No evidence of mechanical failure having been found, his safe arrival and landing at this

alternative destination was dependent upon three aids to navigation furnished by the Bureau of Aeronautics, Department of Commerce:

"First, dependability of the northeast leg of the Kansas City radio range. (Radio range and radio beam are synonymous.)

"Second, he needed the normal operation of the MRL radio station at Kirksville.

"Third, he needed the best efficiency on the three rotating light beacons on the last 20 miles southwest of Kirksville (Millard) Airport, Missouri.

"All three failed him.

"We are of the opinion that acts of omission caused the failure of the first two reserves above mentioned, and an act of commission, the last. To be specific: The Kansas City radio range was off course, and the radio station at Kirksville was dangerously weak. *Both these defects were due to lack of effective inspection. The light beacons were useless."*

It was the responsibility of the Bureau of Air Commerce to maintain constantly dependable aids to air navigation for instrument flying. What would be thought of a railroad management which would permit its green and red signal lights to become inoperative, or would furnish a railroad engineer with wrong orders?

President Roosevelt disregarded the requests contained in my letters, and sent to him through Postmaster General Farley, that he give me an opportunity to discuss with him conditions in the Department of Commerce, and on June 15th, 1935, Secretary Roper handed me his letter of the 13th removing me from office, reading:

"Reference is made to your recent letters of May twenty-ninth and thirtieth, bringing to my attention certain matters relating to the Shipping Board Bureau and other services in the Department of Commerce. You state that these have been called to the attention of the Secretary of Commerce, and I am advised

that on May thirteenth of this year, pursuant to his suggestion you submitted what information you had to Attorney General Cummings. Consequently, I am referring your two recent letters to the Department of Justice. You will, of course, be furnished every opportunity to amplify and substantiate your comments. The Department of Justice is being requested to continue energetically its consideration of your communications.

"In my letter to you of May twenty-ninth, advising of my desire to reorganize and make more effective the transportation service of the Federal Government, I requested your resignation to open the way for the appointment of a man of wide administrative experience. You have declined to resign. Therefore, I hereby remove you from your office as Assistant Secretary of Commerce, effective immediately."

No doubt many members of the President's Little Cabinet have been "kicked out" but I believe I am the only one ever to be both "kicked in and kicked out."

Three days later I addressed another letter to the President amplifying my reasons for not resigning, further calling attention to the conditions in the Department and tendering my services at One Dollar per year to clean up the Commerce Department if the President would appoint me an Assistant Attorney General, saying:

"Your letter dated June 13th, handed to me by Secretary Roper on the 15th, refers to your letter of May 29th requesting my resignation, and states: 'You have declined to resign. Therefore, I hereby remove you from your office as Assistant Secretary of Commerce, effective immediately.'"

"I shall not question the power of the President to remove an executive official, even though he was appointed by and with the advice and consent of the Senate. However, I must confess to some surprise that the President was persuaded to exercise that power in this instance, without first according me an interview as urgently requested in my letters of May 29th and 30th. Believing that the President had been misled as to the true con-

ditions in the Department of Commerce and as to the reasons motivating those who were maneuvering to get me out of the Department at any price, I solicited an opportunity personally to acquaint you with the facts, so that grave administrative abuses might be remedied and scandal averted.

"The demands upon the President's time and the many pressing problems he is called upon to solve are well understood, but it did seem to me and to the friends with whom I advised, that the President would accord me a hearing in an endeavor to ascertain the truth, before resorting to his summary power of removal.

"Your letter of June 13th states that you requested my resignation 'to open the way for the appointment of a man of wide administrative experience' because you desired 'to reorganize and make more effective the transportation service of the Federal Government.' In passing, it should be recorded that the attempts I made to reorganize and implant some sorely needed reforms in the Shipping, Air Commerce, and other Bureaus under my supervision occasioned the active hostility of the privileged and corrupt political interests that now dominate the Department of Commerce. Since it may seem strange that a member of your official family should refuse to step aside so that reforms might be carried out, perhaps I should explain why I felt that it would be contrary to the public interest and contrary to my sworn duty as a public officer voluntarily to surrender my post. In making such explanation I intend no lack of respect to you, Mr. President, nor to your high office, even though I may state the facts with some bluntness.

"Your letter implies that I am lacking in the 'wide administrative experience' considered essential for the reorganization you have in mind; but I must assume you knew that I was urged by Mr. Jesse Jones, who stated that he was acting at your direction, to give up my post as Assistant Secretary of Commerce and accept an executive position at the same salary in the RFC Mortgage Company being organized by the Reconstruction Finance Corporation. It was represented to me that my services in an administrative capacity were being solicited for this new organization where a great field of constructive work must

be undertaken. This flattering offer was thrice repeated and as often declined. I mention this for two reasons. First, because the position offered required organizing and administrative qualifications. Second, because it was represented that unless I resigned as Assistant Secretary and accepted the new position I would be removed from the Commerce post. Under such circumstances it must be conceded, I believe, that in refusing to yield to the pressure applied to compel me to resign, I was not actuated by the desire to retain a government job. I made it clear to Mr. Jesse Jones, to Postmaster General Farley, to Secretary Roper, and to others who urged me to accept this other position, that I felt it was my duty as a public servant to stick to my post in the Department of Commerce until the administrative shortcomings of that Department had been corrected.

"In your letter of the 13th, you reiterate the statement made in your letter of May 29th, that it is your desire to reorganize and 'make more effective the transportation service of the Federal Government,' and to that end requested my resignation to open the way for the appointment of a man of 'wide administrative experience.' I note that Secretary Roper has selected and you have requested the Senate to confirm Mr. J. Monroe Johnson from Secretary Roper's own State of South Carolina. According to the history of Mr. Johnson in *Who's Who*, it appears that he is a member of the Executive Committee of the American Legion and a civil engineer whose business experience has been confined to building bridges and draining swamps in South Carolina.

"It is to be regretted, Mr. President, if a capable civil engineer was all that was required to fill the vacancy occasioned by my removal, that a man of this type was not selected from the large number who could qualify from the original Roosevelt following in Missouri. Owing to the tremendous pressure of your official duties you may not know, but it nevertheless is a fact, that nearly all of the worthwhile appointments you have made in Missouri have gone to the notorious Pendergast machine, whose vigorous opposition to your nomination before the Chicago Convention and whose brutal tactics during the Convention were carried to such extremes that the women among the Roosevelt delegates often were in tears.

"Perhaps you did not know, Mr. President, that you already have a 'transportation expert' in the Department of Commerce. Some time ago Secretary Roper hired such an expert at a salary of \$8,000 per year. It is true that so far he has functioned only as a publicity expert, even though he is being paid to advise on transportation problems. It is a further fact that this 'transportation expert' has an assistant at a salary of \$5,000 a year who also devotes himself to publicity.

"As stated to you in my letter of May 30th, I respectfully declined to resign, even at your request, because I knew, but doubted that the President knew, that the reason assigned by Secretary Roper for desiring my resignation was mere camouflage to cover up the real motive. The press release issued by the Department says 'it became evident that Mr. Mitchell's aptitudes were not along the necessary executive lines and the Secretary of Commerce then requested his resignation.' The trouble was that my 'aptitudes' led me to look into the merits and the lawfulness of the multitude of business transactions that came to me for approval and when I found that ships costing millions of dollars and in perfect condition were being delivered for scrapping on an illegal contract, that millions of dollars in mail pay were being squandered without any regard for past due obligations of the contractor to the Government, and other Treasury plundering transactions were going on without check or hindrance, I refused to approve such racketeering practices. So would you, Mr. President, and so would any other honest public officer who was confronted with such scandalous disregard of the public interests. Naturally, all of the racketeers who had placed their henchmen in official key positions were resentful and found no difficulty in persuading Secretary Roper that my 'aptitudes' were unsuited to the position I occupied.

"Aptitudes along executive lines, as that term is construed in the Commerce Department today, means a willingness to sign on the dotted line without asking any embarrassing questions. It means approving without quibble or debate the kind of transactions that were exposed in the Black Committee Hearings and in the report made to you by Postmaster General Farley.

"It must not be supposed, Mr. President, that because dishonest and corrupt practices originating under the previous Ad-

ministrations have been exposed and because you have pointed the finger of denunciation at such practices, that your Administration will be immune from such scandals. The same sinister privileged interests that you so vigorously denounced in your message to Congress on March 4th, last, are still doing business in Secretary Roper's Department. Indeed, some of the very men named in the Farley report are members of Secretary Roper's Advisory Committee on Shipping. Very soon after I took office I incurred the hostility of these advisers because I refused to be bludgeoned into following their suggestions as to how my duties should be performed.

"Mr. President, you will recall that the patriot Patrick Henry declaimed to the Virginia House of Burgesses: 'Tarquin and Caesar had each his Brutus, Charles the First his Cromwell, and George the Third—may profit by their examples.' So, too, may I suggest, that President Grant had the Star Route Mail Scandal; President Harding had the Teapot Dome Oil Scandal; and you may be confronted with a shipping scandal. It is for you to decide whether transactions such as the offensive *Leviathan* affair are to be hushed up by saying 'the President has approved,' or whether you will justify the high hopes and expectations of the millions of American citizens who heard you declare that the money changers shall be driven from the temple. The New Deal is on trial at the bar of public opinion on more than one front.

"The complacency of Secretary Roper was not jarred in the least by the concrete evidences of fraud and illegality in a large number of transactions which I brought to his personal attention. Apparently, he has no intention or desire to initiate any action to rescind these illegal contracts or to recover public moneys illegally disbursed thereunder. Indeed, Secretary Roper recently has executed the contract involving the permanent lay-up of the *Leviathan* which results in Vincent Astor, Kermit Roosevelt, the Franklins, and other stockholders of the International Mercantile Marine Corporation being relieved of paying \$1,720,000 justly due the Government without any consideration whatsoever for such release. This contract was executed in the teeth of an opinion rendered by the Acting Comptroller General which pointed out the illegality of the transaction.

"In the controversy over the McCarran amendment to the emergency relief bill it was your position that sufficient pay to the head of a family for labor was \$50 per month, or \$600 per year. If \$600 per year is sufficient to provide a living for a family of five as you pointed out, the \$1,720,000 which the contract for the laying up of the *Leviathan* presents to Mr. Vincent Astor and his friends would have provided a living for a whole year to 2,866 families, or 14,330 persons.

"I note that you have sent my letters to the Department of Justice and have requested that Department to continue energetically its consideration of my communications, also the information I previously furnished that Department after reporting the facts to the Secretary of Commerce. You state: 'You will, of course, be furnished every opportunity to amplify and substantiate your comments.' It seems rather ironical, Mr. President, for you to suggest that I assist in uncovering frauds against the United States, which might result in civil actions to recover money and in prosecutions for violations of the Criminal Code, when in the same communication you remove me from a position where I would have access to the records and personnel on which proof depends.

"However, I know you must be sincere in desiring enforcement of the law, no matter who the guilty ones may be. Therefore, if you will instruct the Attorney General to designate me as his Special Assistant in charge of recoveries and prosecutions arising out of matters controlled by the Department of Commerce and will direct the Secretary of Commerce to facilitate my examination of the confidential as well as the public records of his Department, I tender myself ready and willing to clean up the graft and waste in the Department. I am willing to undertake this job at the personal compensation of One Dollar per year, provided the Government will detail the necessary office facilities and personnel to assist in the clean-up.

"There is one case, however, in which all the facts are well known and which needs no further investigation. I refer to the contract signed by Secretary Roper on March 18, 1935, providing for the permanent lay-up of the SS. *Leviathan*. The Acting Comptroller General, in his letter of March 12, 1935, to Secretary Roper, set forth in full all the facts in the case.

May I respectfully suggest, Mr. President, that the public welfare demands that you direct that this contract be rescinded and that the Attorney General be required to lay all the facts concerning its execution before a grand jury to the end that all those who have been guilty of a violation of the Criminal Code in connection therewith, if any there be, shall be prosecuted without regard to their high official positions or their eminent places in the business world."

DISMISSAL OF FAITHFUL OFFICIALS

As I had prophesied in my letters to the President those faithful public servants, Thomas M. Woodward, Jay A. Mount, H. McCoy Jones and Frederick L. Adams, soon were forced to resign. Others, in the offing, will walk the plank if the November election is favorable to the New Deal.

I considered qualifications for the position of paramount importance in every personnel case which came before me. Politics was secondary. Where qualifications were equal I favored the selection of Democrats. It was only through my efforts, as a member of the personnel committee, that Mr. O. P. M. Brown, Special Counsel for the Shipping Board Bureau for fifteen years, was saved from dismissal. Mr. Brown was the second cousin to the late President Harding and one of the very few officials of the Department who would admit he is a Republican. He has a record that not only is unusual, it is perfect. He has won every single case of the many he has tried in the courts for the Shipping Board involving millions of dollars. His friendly attitude toward the Government's interest is clearly shown by numerous opinions he has prepared for the Shipping Board. This attitude made him very unpopular with the shipping fraternity, and it was only

because of his most unusual record in the courts and because it was possible for the Shipping Board to ignore entirely his opinions that he was able to withstand, until the incoming of the New Deal, efforts to oust him. Despite this record, he was marked for slaughter by New Deal officials within the Department and shipping lobbyists on the outside.

My successor, Colonel J. Monroe Johnson, a few days after taking office, called in several officials of the Department who were supposed to be friendly with me and told them very emphatically that if they had any further communication with me they would be immediately dismissed.

A great many officials, and even humble employees, often take action to protect the Government's interest. They soon are made to understand that this course will not be tolerated if it proves injurious to favored private interests and, if they are willing to accept, and economic conditions often compel acceptance, they are given transfers to other posts. If they cannot be quieted in that way they are dismissed. Administrative assistants, bureau chiefs and those on the outside whose interests are threatened, are really responsible for these actions although they may come through a Cabinet officer, or even through the President, as in my case. It is well understood the ousted official may raise some disturbance, as in my case, but it is realized that the noise thus made soon will die away, that neither the President nor Congress will do anything about it, and peace and harmony will be restored for the oligarchy and lobbyists controlling the Department.

In my own case, every effort was made to persuade me to accept a transfer to another position and take

my leave without creating a disturbance. Secretary Roper told me he had been working on a plan to have me made Minister to Rumania. He then offered me a position to be created to be known as "Special Assistant to the Secretary of Commerce" to supervise the newly created Government activity known as Free Trade Zones. Mr. Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, three times offered me a place in his organization, finally writing and urging me to reconsider and accept. After months of negotiations and my continuous refusal of these offers I was ousted by President Roosevelt.

Before and after my ouster I was shadowed and my telephone was tapped, the object evidently being to ascertain what officials of the Government I was in communication with and what newspaper correspondents I was seeing.

THE AMERICAN POLITICAL SYSTEM THREATENED

The American political system was never subjected to such a test of honesty as under the New Deal experiments and expenditures. It never had so much money placed at its disposal upon such lax terms. As window dressing we have idealism and reforms, but the stock in trade is the old familiar brand of politics and thousands of bureaucrats are determined the old order shall not be disturbed.

A great war is upon us. Most destructive are the forces of graft and corruption within our gates. Powerful minority groups banded together in an Invisible Government are eating like a great cancer into the very heart of America. Our form of Government, as great as it is, as strong as it is, yet is not strong

enough to withstand a long continuation of such onslaughts of graft and corruption in high and low places as it has endured the last two decades. These forces of centralized power are riding popular government to its certain doom unless their progress is stopped.

It is time for the solid citizenry of this country to take alarm and arouse itself for action. Our Democratic form of Government and our liberties can be preserved only by the overthrow of these sinister forces which continue to undermine efforts for reform in vital governmental affairs ordered by the people at the polls.

I speak as a citizen who loves our Democratic form of Government, who is jealous of its welfare, but who is sorely afraid for its perpetuation if dishonesty and graft are allowed to continue to propagate and flourish.

FINIS